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The Executive **PURCHASER**



"PENNY-PINCHING IS SORELY NEEDED...."

—Russell Forbes



A NATIONAL PUBLICATION DEVOTED TO
PURCHASING AS AN EXECUTIVE FUNCTION
IN CORPORATION MANAGEMENT

Volume I

NOVEMBER 1933

Number 3



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Eastern Office

GEO. B. HOWARTH, Manager, 50 Tekoa Terrace, Westfield, Mass.
JOSEPH FULLER, 14 Stratford Rd., Brooklyn, N. Y.

Western Manager

J. A. MEYER, 608 Otis Building
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CONTENTS

	<i>Page</i>
EDITORIAL	3
Purchasing and the Tax Dollar by RUSSELL FORBES	5
Exit Ironmaster by L. S. HAMAKER	7
Associations	10
Civilization Reaches Business by VIOLET SHORT SHINN	11
Purchasing: Cincinnati Style by CHARLES E. LEX, JR.	13
Pulse of Business	14
Commodities	15
New York Informashow	17-20
Samples and Sales by LEO T. PARKER	22
Purchasers' Library	27
Standards' New Sponsor by WALDON FAWCETT	31
Coal Prices Stabilized	34
Advertisers' Index	36

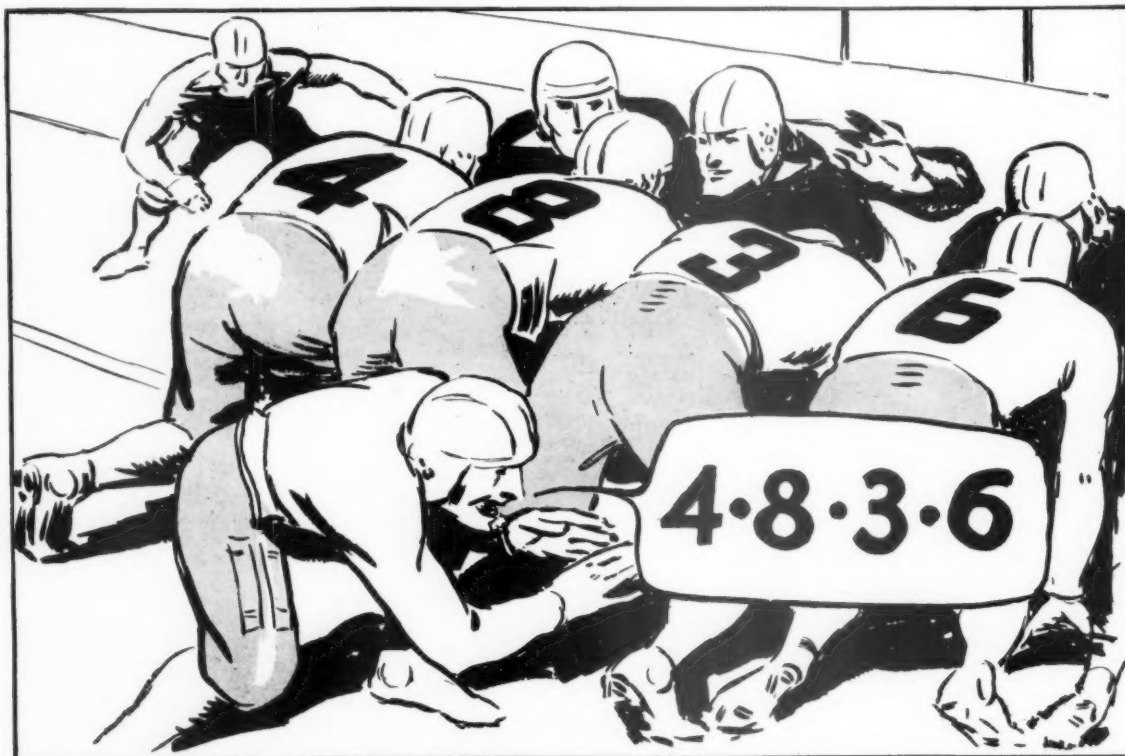
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EDITORIAL

November 3, 1933

To the EXECUTIVE PURCHASER,
Cleveland, Ohio.

I am very glad to have your co-operation in our nation-wide program through which we are trying, as you know, to convince the American people of the need to buy freely at this time as a prudent use of money.

You cannot do what we are doing on every economic front without increasing prices in every line of industry and trade — higher wages are certain to increase production costs.

The elimination of child labor and the sweat-shop mean higher prices in many lines. What we have accomplished in improved economic and social conditions is worth the higher prices we shall have to pay for goods.

With all of these facts in mind it is apparent that free buying is the part of prudence and, aside from this aspect, we may all feel that in buying liberally today we are assisting in the performance of a very useful public service.

HUGH S. JOHNSON,

NATIONAL RECOVERY ADMINISTRATOR.

The above letter from General Johnson to this publication sets forth the government's reasons for believing that to buy now is simply the part of economic wisdom.

The following is from an editorial in *The Financial World*, New York, captioned "What Are the Purchasing Agents Doing?"

Every big company has one or more men whose entire time is devoted to buying the things which that company needs.

These men are specialists. It is their business to know prices . . . materials . . . sources of supply . . . present and future trends. They are the shrewdest, canniest buyers in the world.

But *all* of us, in a small way, are purchasing agents. We *have* to buy a certain number of things, if only to keep alive. And most of us aren't very skillful at it. We waste a lot of money. We miss the good bargains. In fact, we could learn a great deal by watching a professional buyer at his work.

At this time, especially, it may be helpful to know what the big purchasing agents are doing. Are they cutting down? Are they opening up? Do they think this is a good time to buy or a bad time? What do they think about the future?

Well, the answer is that they are all buying as fast as they can buy. And they are buying because *they know that prices are going up.*

"Pig iron has advanced 13 per cent," the purchasing agent of a \$20,000,000 corporation recently said. "Brass is up 42½ per cent. I am paying



41 per cent more for lumber than I did in March, and fiber packing cases have doubled in price. In fact, everything we use in this business is costing us more today, and will in my opinion cost us still more tomorrow. I believe . . . that many commodities will be back to or near 1929 levels by spring."

That's the way the professional purchasing agents feel about it. And they *know*. They have special sources of information. They are closely in touch with Industry. They have studied the workings of the NRA codes.

Prices are going up. And it's a good thing for everyone. For things had come to the point where *nothing* had any true value. A man's time . . . his product . . . his property . . . all had sunk so low in value that he couldn't even get a decent living.

That couldn't go on. So the Government set up the machinery of the NRA codes in order to *make everything worth something again.*

This process is now under way. Wages are being raised. Commodities are bringing better prices every day. But it is not yet over. Before fair values . . . living values . . . can be reached, prices will have to go higher than they are now.

Before they do, take a leaf from the purchasing agent's book, and lay in a supply of the things you need. There are many good bargains still to be had. But these stocks are strictly limited. *Now is the time to buy.*

Is this what the Purchasing Agents are doing? Are they stocking up against higher prices? Or are they cautiously sniffing the wind for indications of future price trends? What do YOU think?

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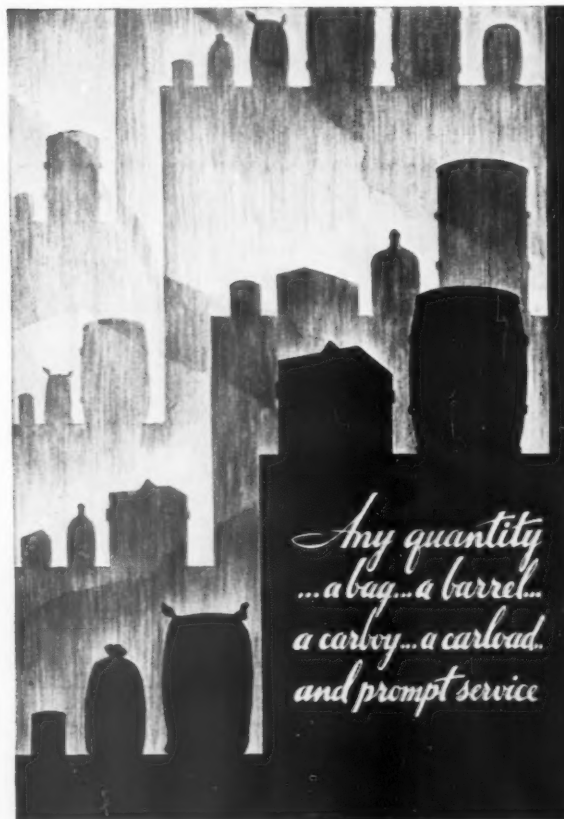
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Purchasing and the Tax-Dollar

*Recent Innovations in Governmental Buying
Provide Needed Funds for Recovery Spending*

By **RUSSELL FORBES**

Professor of Government and Director
of Research, New York University

ONLY the stoniest-hearted among us can fail to pity the man who is today responsible for compiling and executing a government's budget. He is verily between the devil and the deep blue sea. In the midst of our current depression, all governments—national, state, county and municipal—literally have their backs to the wall, fighting to “make both ends meet.” Revenues from real property and other forms of taxation are steadily dwindling. The embattled taxpayers are strenuously resisting any new imposts and are in many parts of the country on a tax strike.

On the other hand expenditures for unemployment relief, which have in the past few years reached gigantic proportions, are still mounting because many families hitherto self-supporting have reached the end of their resources.

Despite drastic economies of every conceivable kind, most governments are compelled to spend more this year than last year or the year before. This is the psychological moment to spend money for public works improvements by giving jobs instead of doles. But where is the money to finance new school buildings and new roads, or to repair and reconstruct existing public works?

Shrinking valuations in assessable real estate have placed many governments beyond their legal debt limit which is based on a fixed maximum percentage of the total assessed valuations. Bonded indebtedness cannot legally be increased even if underwriters could be found to buy the bonds. Hundreds of local governments have defaulted on the interest and principal of their debt and are in tech-

CENTRALIZED PURCHASING for government agencies of all kinds has gained popularity by leaps and bounds in the past few years. It is, of course, no innovation in private industry, where it developed, but government with the unwieldiness which seems always to characterize its movements, has turned to centralized buying only comparatively recently.

nical bankruptcy. In this crisis, many cities are feeding the unemployed at the expense of education and other essential governmental services. School terms have been curtailed, some schools have even been entirely closed, while teachers and other public employees are enduring “payless paydays.” While the hours of labor are being curtailed and the wages are being increased by the NRA activities, the salaries of many public servants are still being slashed, and nowhere are they being increased.

ECONOMY

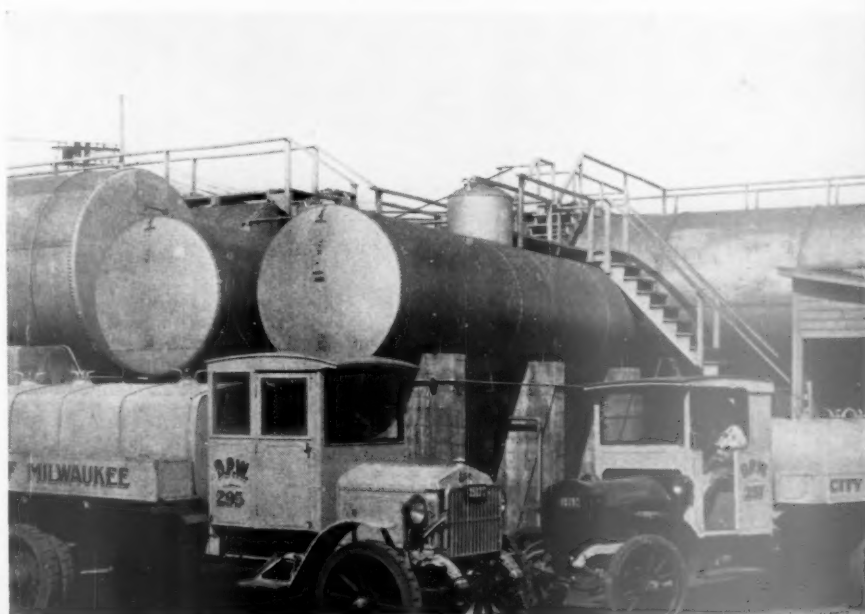
What is most needed at the present moment is constructive econ-

omy in government — economy which increases the mileage of the tax dollar while safeguarding the essential public services. At this point centralized purchasing comes on the stage. Many years of experience show that centralized purchasing will reduce the cost of supplies, materials and equipment from 10 to 15 per cent. It is a helping hand in the present impasse in government finance.

Every dollar which can be cut from the cost of supplies, materials and equipment means that another dollar's worth can be bought for educational purposes, for public works construction, or for food and clothing for the destitute. Centralized purchasing, viewed in this light, becomes a matter of vital concern to the taxpayer — and that includes all of us.

The time is long since past when it was necessary to apologize for centralized purchasing or to justify its advantages by detailed arguments. More than 30 years of successful experience have shown beyond dispute that centralized purchasing will do for governments what it has long done for private

...“Milwaukee made an additional saving... which amounted to \$18,000...”



business. More than 250 cities of the United States, 40 state governments, more than a hundred counties have found in this plan of buying a means for reducing the cost of government and thereby a means for giving the taxpayer more for his tax dollar. On Jan. 1, 1934, there will be set up in Washington an office of procurement which will furnish the supplies, materials and equipment for all domestic and field services of the federal government.

Remarkable as is the widespread adoption of the central plan of buying in government, the wonder of it is that all governments have not fallen into line. If government were a competitive business and confronted with the necessity of furnishing a product better than other producers and at a lower price, instead of being non-competitive with the power to tax for whatever is needed, our public corporations would be compelled to practice this economical and efficient method of purchasing.

PENNYPINCHING

When one stops to consider that all the governments in the United States spend in normal times over a billion dollars per year for supplies, materials and equipment, the potential saving of centralized purchasing if universally practiced takes on a new light. If 10 to 15 per cent can be saved by buying centrally—and there is no longer any doubt about it—it seems illogical to shut one's eyes to the economies merely because some politician or group of politicians may be adversely affected. There was never a time in our history when penny-pinching was more sorely needed in government.

The savings through a central purchasing system are not confined solely to the improved technique of buying. The modern purchasing system is also responsible for the custody and control of commodities from the time of their delivery to the time of their consumption. It is not enough to buy economically



"Many governments have been sufficiently far-sighted to establish a storage yard."

if after delivery the goods are wasted, stolen or allowed to deteriorate through mishandling. Many governments have been sufficiently far-sighted to establish a storage yard where all pipe, lumber, brick, cement and other materials used in public works construction are carefully handled and rigidly accounted for to prevent theft and misuse. A case in point is Dayton, Ohio, which has a well-kept storage yard as shown in the accompanying illustration.

The coming of the motor age in government has greatly increased the consumption of gasoline. The best purchasing agent on earth cannot derive the utmost in economies from the purchase of this commodity if he lacks the facilities to handle tank-car deliveries. Milwaukee, Wisconsin, has solved the problem by installing a 500,000-gallon storage tank to which all deliveries are made in bulk and at which all city-owned cars are serviced. As a result of this installation of storage equipment, Milwaukee made an additional saving in the purchase of gasoline which amounted to \$18,000 in 1930.

STORES

Similarly, centralized responsibility for goods in storage leads to a reduction in expenditures by preventing over-stocking and loss through obsolescence. Many government storehouses are crammed full of articles which will not be used for years, if ever, representing an investment of the taxpayer's money at a time when he cannot afford to purchase for himself more

than the bare necessities of day-to-day living. Directly connected with such supervision of goods in storage is the control of goods which are surplus or no longer needed.

The modern purchasing department has authority to transfer surplus goods from one department to another and to collect and sell scrap and other articles which have outlived their usefulness. This item may seem inconsequential in boom days; but just now "a dollar saved is a dollar earned" more truly than ever.

The need for economy in the public business also makes imperative the preparation and use of explicit specifications as a substitute for the old hit-or-miss buying by word of mouth or by brand. A program of standardization, whereby the varieties purchased are reduced to the minimum and the established standards are purchased in large lots on written specifications, is a vital part of the modern purchasing system.

But such practices have now become almost "common garden varieties" and are generally accepted as integral parts of an up-to-date buying plan.

EXPERIMENTS

In the last few years, however, three experiments have been conducted in different parts of the country which have opened up new vistas of possibilities for future development. For the past two years, the New York Conference of Mayors and Other Municipal Officials has collected each month

Continued on page 24



L. S. HAMAKER

Exit Ironmaster

A Basic Industry Goes Specialist

By

L. S. HAMAKER

Sales Promotion Manager
Republic Steel Corp.

IT is almost impossible to discuss the steel business or any other business today without becoming involved almost immediately in a tangle of economic theories. I want to announce at the outset that I make no pretensions of being an economist. In fact, I have badly sprained whatever brain cells I may be endowed with in an attempt to understand just what some of the things that are being done may lead to. I doubt whether any layman in possession of all his faculties would venture any long term predictions as to the trend of general business.

If the steel industry has learned any lesson from the depression from which we are slowly emerging, it is that the chief problem is no longer production, but merchandising, and steel is perhaps the last big industry to see the light. I believe that our industry is on the threshold of an era of special steels, tailor-made steels, if you like, which will take the place of much of the so-called "tonnage" of today.

Barring such unnatural upheavals as wars of the first magnitude, which may happen, I question whether the steel industry will ever be forced to operate at full rated capacity. I can't conceive of other steel-consuming developments such as the march of the railroads across our western plains, or the spectacular growth of the automotive industry during the past twenty years, or even a building era such as we had after the world war.

MR. HAMAKER is not an economist. Nor does he make any claims to being one. He has no particular theories about the causes of our economic ills and he advances no pet formulae for their solution. He is, however, a keen observer of conditions as he finds them and his remarks on the steel situation are worthy of the closest scrutiny.

This may sound pessimistic, but I do not mean it to be so. There will be good business in steel and there will be reasonable profits in steel, but they will come as the result of alert adjustment to the needs of the times, of research into better materials and methods and of smart and skillful merchandising.

EXPANSION

During the past century any basic industry could depend on the passage of time to cover up errors in business judgment, particularly with regard to expansion of productive capacity, but we can rely on this no longer. We enjoyed a mushroom expansion such as the world never before witnessed. We were doubling our population about every 30 years, until 1900. Since the turn of the century we have grown more slowly, and the best authorities predict that we will shortly reach a point of stability in population and perhaps even of declining numbers.

The whole American theory of business is based on continually expanding markets and such rapid expansion has covered a multitude of business sins, but, in my humble

opinion, those days are gone and it behooves all of us to begin working out ways and means to serve a stable market, to induce it to absorb more of our own product by making the product more serviceable, more attractive, more desirable. The relative scarcity of new consumers must be compensated for by raising the standards of living, by the development of new desires, new markets and new products.

This is an entirely new conception for the steel industry to face. The industrial giants, as typified by "the incredible Carnegie," are still among those present in our industry in very sizeable numbers, although somewhat mellowed by the years. It is not at all easy for men raised in the school whose slogan was, "We make steel; come and get it" to realize that steel must be merchandised, but those who can't get the picture are going to find the going tough in the years immediately ahead.

I could be shot at sunrise for saying that steel is becoming a young man's business, but I think it is true. It may surprise you to know that the average age of Republic executives is 47 years. So I believe gentlemen, that you are to be treated to the spectacle of basic industries such as steel actually selling scientifically in the next ten years, because the pioneer era in America is just about over.

LOW POINT

So much for the long-term view. The immediate future is not nearly so clear and whatever I say about it is highly speculative, made so by the unpredictable factors introduced almost daily at Washington. As I mentioned before, I could qualify easily as a lighthouse

keeper, because these things have me in a perpetual fog. I can say that we confidently expect a much better steel year in 1934. Steel established an all-time low in 1932. Output for the year averaged 19.5 per cent of capacity. Actual tonnage was the smallest since 1902.

In fact, steel suffered more than the industries it serves. Railroad freight traffic was off only 50 per cent from its 1929 peak, while steel was off 76 per cent. It merely means that steel in every form is wearing out and rusting away so much faster than it has been produced in the last three years that replacement on a large scale can not be postponed much longer.

In 1933 we have enjoyed some increase, but it has come almost

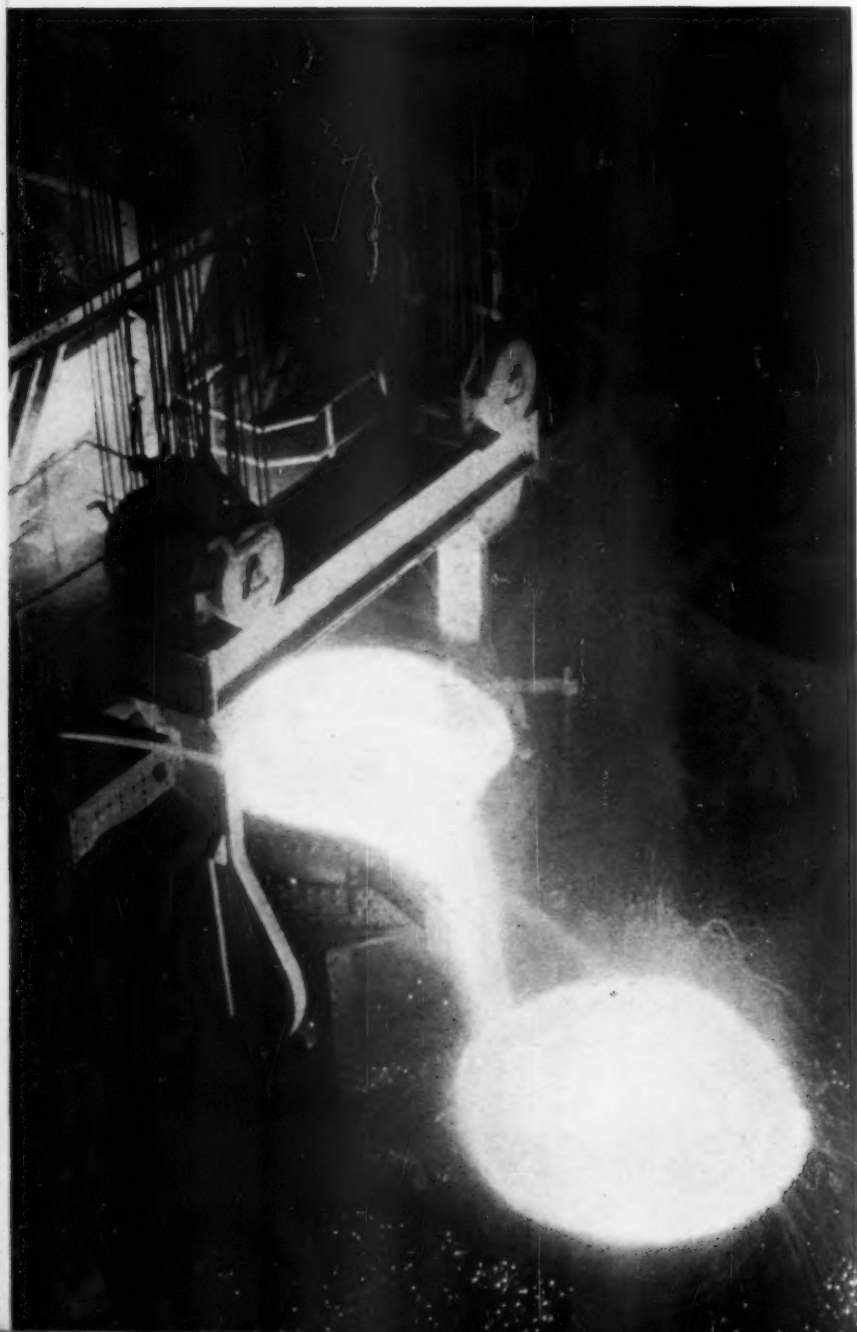
entirely from consumer goods: automobiles, refrigerators, washing machines, tin cans. Investment in capital goods has played almost no part in the progress of recovery to date, a serious situation of which everyone is made more than aware by the daily press, the periodicals and the radio. In 1929 the total value of all manufacturers was about 70 billions of dollars, of which capital goods accounted for 40 billions, well over half. This was not a normal year by any means, but it is fairly evident that no general business recovery is possible with the capital goods industries out in the cold. And here again my head begins to ache, for some industries are being urged and almost forced to legislate

against the purchase of new machinery.

OUTLOOK

Speaking generally, the welfare of steel in 1934 will depend upon the progress of four major industries: automotive, building, railroads and oil. 1933 has been a better automobile year than 1932, but it is still a long way from the industry's normal $4\frac{1}{2}$ million car capacity. Next year, will be an even better one, some of the more optimistic Detroit producers laying their plans for a 50 per cent increase. I think we are well justified in expecting a good automobile year. Cars have for some time been passing out of use in much greater numbers than they have been bought. I think we may forget the "two-cars-in-every-garage" idea for a year or two yet, but even one car in every garage would mean mighty good business. And people accustomed to automobiles will have them the minute an income is reasonably certain. The automotive industry represents one of the brightest spots on the steel horizon for 1934, and this is particularly gratifying to Republic, which as the largest producer of alloys, has a bigger stake in the automobile than any major steel producer.

With regard to building, the picture isn't so pleasing. Public expenditures will account for a high percentage of the total. They have accounted for more than 60 per cent this year, not a very healthy condition. Even if the government is successful in spending two billion dollars next year, it will still be pretty thin compared to a normal building year of $4\frac{1}{2}$ to 5 billion dollars. Commercial and industrial building have both far over-run all current requirements. There is a tremendous shortage of new homes, conservatively estimated at 7 million units, yet it takes more than the existence of a shortage to inaugurate a boom in home building. I hope I am wrong, but I don't see how the steel industry can expect much from building in 1934 and



"We make steel; come and get it."

building is normally the second largest consumer of steel.

RAILROADS

Despite the sad plight of the railroads, which has been quite adequately publicized, they were the third largest consumer of steel in 1932. They bought \$117,000,000 worth of steel products and deferred the purchase of \$140,000,000 more. I need tell no one who travels the sad shape most equipment and roadbed is in. You need spurs to stay in a berth. The government is bringing considerable pressure to bear to force railroad buying and is offering a limited amount of money on favorable terms, but the total amount offered is less than one third of the railroads' estimated deferred supply purchases, so it can't create much of a ripple. Here again, what the railroads or any other industry must have to buy capital goods is a reasonable hope of profit. Whatever the solution may be, a railroad buying movement of very considerable proportions cannot be postponed much longer if our transportation system is to be preserved, and we confidently expect the railroads to be substantial contributors to the total steel tonnage of 1934.

Since the code has raised the price of oil there has been a mild revival in the purchase of tubing, casing and other steel products, yet the spectre of overproduction still overhangs the oil industry. Here is one case where time will correct the evil whether population increases or not. In 1900 coal furnished 91 per cent of our mechanical energy; petroleum 4 per cent. In 1930 coal furnished only 60 per cent; petroleum 31 per cent. It is estimated that by 1950 petroleum will be furnishing more than 45 per cent of America's mechanical energy, requiring $1\frac{1}{2}$ billion barrels of oil annually. The temporary overproduction problems of today will vanish in the face of such mounting demand. And this spells real tonnage for those of us in the

*"... we
must not
only make
steel; we
must sell
it."*



business of producing oil country goods. Fifty-five tons of pipe and tubing alone are used in each one of the 9000 shallow wells in the East Texas field. In California, where they go down 8000 feet and more, a single well may use 500 tons of pipe and cost a quarter of a million dollars.

TACTICS

I mentioned a while ago that merchandising was entering the steel industry. I don't mean selling alone — I don't mean advertising specifically. I mean starting the product from the raw material with the buyer in mind — making what he needs and wants, not trying to force him to use what you find is most convenient to produce. That's what I mean by tailor-made steels. There was a time, as you

all know, when steel was a commodity with pretty well defined characteristics, and all design was obliged to conform to its limitations. Today we're building aviation engines that weigh less than two pounds per horsepower.

The great steel industry was built and its organization developed for the purpose of producing steel to meet a demand that grew by leaps and bounds for two generations. This production organization is still there. Now we must not only make steel, we must sell it. We still see, particularly in the basic industries, what someone called Indian selling, as exemplified in the classic telegram — "Dear Bozo: Sitting Bull is wavering. Send two more quarts," but this is rapidly becoming a thing of the

Continued on page 28

ASSOCIATIONS



George A. Renard, executive secretary of the NAPA, was the principal speaker at the recent meeting of the Purchasing Agents Association of Hamilton, Ont., held in the Royal Connaught hotel of that city.

• • • • •
Donald G. Clark, purchasing agent of the Brown & Sharpe Mfg. Co., Providence, R. I., and a vice president of the NAPA, is scheduled to address Worcester County Purchasing Agents club, Massachusetts, at the Bancroft hotel, Worcester, Monday, Nov. 27.

• • • • •
Dr. Oscar P. Cleaver, Westinghouse Laboratories, New York, addressed the November meeting of the Twin City Association of Purchasing Agents Nov. 8 at the Radisson hotel, Minneapolis.

• • • • •
Unwarranted price increases and purchasing by specification were two of the topics discussed by A. V. Pleasance, purchasing agent, Montgomery Ward & Co., at the November dinner meeting of the Chicago Purchasing Agents association at the Blackstone hotel.

More than 300 purchasing agents from all parts of central and western New York crowded Rochester's Sagamore hotel recently for the annual district convention and informashow. George M. Tisdale, director of purchases, U. S. Rubber Co., and president of the New York association, was one of the chief speakers. The informashow was arranged under the direction of William T. Roach, past president of the National association.

• • • • •
Leslie Robbins, purchasing agent of Colorado University, addressed the October meeting of the Denver association at the Denver Athletic club.

• • • • •
C. W. Seiberling, vice president of the Seiberling Rubber Co., was toastmaster at the annual executives' night of the Purchasing Agents Association of Akron, at the Akron City club.

• • • • •
George Paull, Buffalo district manager of the Hanna Coal Co., discussed the coal code at the November meeting of the Purchasing Agents Association of Buffalo, Nov. 15.

The Purchasing Agents Association of San Diego has plans under way for the annual convention of California state, county and municipal members, scheduled for next spring at San Diego.

• • • • •
Permanent regulation of industry was advanced as a possible outgrowth of the NRA by C. G. Bunnell, general purchasing agent, Westinghouse Electric & Mfg. Co., at the October meeting of the Rochester association.

• • • • •
Purchasing agents are in demand by at least two eastern towns, while a third is seeking to lose the one it has. Taxpayers Association of East Providence, R. I., is behind a movement to equip that municipality with a purchasing agent. Irvington League for Municipal Economy, Irvington, N. J., is urging its town commissioners to similar action. But up at Waterville, N. Y., the local Taxpayers League has termed the county purchasing office "unnecessary and unprofitable" and has taken steps toward its abolishment.

Continued on page 35

CIVILIZATION REACHES BUSINESS

All God's Chillun Got Codes and the Purchasing Agent is the Step-Child

By VIOLET SHORT SHINN

PURCHASING agents, more than any other group in the present day business set-up, are affected by each code agreement adopted by industry. On November 9, one hundred and nine industrial codes of fair competition had been approved by the President while hearings on 156 other codes have been had, with 50 more scheduled for hearing within the next two or three weeks. The variety of industries and products represented by codes made and in-the-making is almost unbelievable. They range from funeral supplies to burlesque theatres, from ironing machines to wall tiles, from suspenders and garters and hosiery, to gasoline pumps, pianos and automobiles.

No business man who has so far survived this era of business headaches has to be told why the government is sponsoring these industrial codes and trade agreements. To quote Division Administrator Malcolm Muir of the National Recovery board, "... Our job in NRA is to civilize business, not to regiment it, and to encourage self-government. . . It is not the NRA's intention to police the activities of American industry unless it is forced to. It wants to act as a clearing house for suggesting principles upon which industry may regulate itself."

All industrial codes are based on the same "suggested principles" worked out and recommended by the President's National Recovery board. Each industry and trade changes the general provisions to fit its own specific conditions and problems. While the funeral supply manufacturer does not have the same competitive difficulties as the automatic sprinkler manufacturer, their individual codes agree in

spirit: they are for the good of the industry as a whole and they aim towards business recovery.

WOLF!

Price, for the past three years, has been the big bad wolf in business, and it wasn't a purchasing agent who started singing "Who's Afraid?" Few P. A.'s have not had the experience of buying a commodity low, only to discover a day, a week, or a month later that the same goods could be bought for a third or a half less.

CODES have claimed the attention of practically all of us in the past few months, but nowhere has greater interest been displayed than in Washington, the Mecca toward which every good little code eventually turns.

MANY of our readers will remember the author of this article, Mrs. Shinn, who under her maiden name, Violet Short, was one of the outstanding members of the staff of The Southwestern Purchaser of Dallas, Tex. Mrs. Shinn now is in Washington and her writing is particularly enlightening in that it treats with codes definitely in their relation to the purchasing agent.

Competition had reached the point where a firm that asked a legitimate price for its product — a price that permitted a profit over the cost of raw materials, the manufacturing process, and a living wage for its workers — received nothing more than the Bronx cheer when its bid was matched against the cut prices of its competitors. With his own firm forced to sell at cut prices, the purchasing agent was between the well known devil and the blue deep. He had to buy at cut prices. Throughout the country the cheerful spirit of "Let's everybody cut everybody's throat, and it will soon be over," prevailed in business relationships.

While the NRA concerns itself with minimum wages and maximum hours of labor, price control is the theme song of the industrial agreements. Not that the government tells the manufacturer that he cannot sell a screw driver for less than 32 cents. It is obvious that a fixed definite minimum price on any manufactured product would be as disastrous to industry as the indiscriminate cutting of prices. Instead the industrial codes prohibit any manufacturer from selling an item at a less-than-cost price. Cost is defined by the codes as the money expended for direct labor, materials, and the overhead. This prohibition against selling an item below the cost of its production applies to every one, from the big manufacturer who sells to a big corporation, on down to the cross roads store which sells to the farm laborer.

STABILIZATION

Thus, under the industrial codes prices can go down to the cost of a product but they cannot go below this point. To both the purchasing agents and to salesmen is this provision of great benefit. The competitor's lowest price is no longer a matter of guess work. There is a bottom.

Of course, although the minimum wages of the workers and the maximum hours of labor are the same for each manufacturer operating under his own particular industrial code, the cost price of manufacturing identical items will vary, due to locality, seasons, etc. Regardless of his competitor's cost of production, which may legitimately be far below his own, a manufacturer must not sell an item under his own *individual* cost of production.

With wages and hours fixed by the industrial codes, much of the

responsibility of keeping down the cost of production falls upon the purchasing agent. With an eye upon costs, the purchasing agent will have to discard hand-to-mouth buying policies in favor of a buying plan that will include seasonal trends and fluctuations in the commodity markets.

Certain codes permit, however, in rare instances, the selling of a product at a less-than-cost price. One of these is when an item is being closed out of stock. Another provision permits the loss selling of damaged goods, but the goods had better be damaged.

As can be seen from the above, the industrial codes set no definite minimum price — only a provision that limits the loss possibilities of the manufacturer.

PRICE-FIXING

It is only when the natural resource industries are considered that the government discards its price-control measures and goes in definitely for price-fixing. To protect the basic wealth of the nation, to keep the earth's stores from being dissipated in this time of industrial chaos, the codes establish definite minimum prices for lumber, coal and petroleum. Also there is indication that fixed prices for agricultural products are on their way.

To analyze each industrial code and the phases of it which affect the purchasing profession would be a gigantic task, requiring volumes instead of paragraphs. Every code signed and accepted contains provisions which, while not always uniform and contained in all codes, will have a bearing on the future relations between buyers and sellers under the era of government supervised industry. A few of these regulations gleaned from codes already in force are:

Normal trade discounts to bona fide distributors are legitimate. All codes, however, prohibit the evasions of terms of sale through permitting of unusual rebates or allowances.

PROHIBITION

Manufacturers of electrical equipment, in their code, prohibit sales below lists minus, in addition, a discount. All codes are demanding uniform terms of sale to all buyers and are ruling against a favored and extra-privileged list of customers.

According to the specifications in certain codes, the return of goods shipped in good faith will be allowed only if such merchandise is started on its return trip within three days after being received by the consignee.

In an effort to check, wherever possible, damage already done, certain code agreements (the gasoline pump manufacturers for one) permit the cancellation of option quotations in effect prior to the approval of the code whenever this can be done without legal complications.

Consignment selling of merchandise, which has worked to the detriment of certain industries, is being ruled out as an unfair method of competition.

PUBLICITY

Numerous are the codes that demand the use of a published price list in all business dealings of the future. Also, before the prices on the printed list can rise or fall, there must be due notice given and a definite period of time must elapse before the new prices can go into effect.

One of the immediate results of industry's coming under the NRA codes will be the restoration of buying perspective in the purchasing departments throughout the business world. Once more quality of a product and the reputation of the firm back of it will come in for a share of consideration when an order is to be given. With prices controlled, the friendly relations between many purchasing departments and old reliable sources of supply — relations that have been strained to the breaking point by illegitimate competition — will be

restored. Uniform policies regarding trade discounts, terms of sale and conditions of contract will make for a better understanding between the salesman and the purchasing agent.

The purchasing agent who familiarizes himself and obtains a working knowledge of the trade agreements under which his sources of supply operate will be in a position to do New Deal buying from the New Deal salesmen.

DEATHS

Harold Wilson . . .

43 years old, assistant general purchasing agent of the Union Pacific railroad, died Oct. 30 at an Omaha, Neb., hospital, following an illness of three months. He was born in England, was first employed by the railroad in 1920 and in 1929 was named to the position he held at the time of his death.

Frank R. Garvey . . .

for many years purchasing agent of the Aluminum Co. of America at the company's Massena, N. Y., plant, died of acute indigestion Oct. 27 at his home in that city. He was 42 years old.

E. Jerry Cadagan . . .

30 years old, purchasing agent of the Sierra Pacific Power Co., died at a hospital in Reno, Nev., Oct. 22 from complications following an appendicitis operation. He had been associated with the Sierra Pacific company for 10 years and had been purchasing agent for three years.

Bernard J. Corbett . . .

one time purchasing agent of the A. E. Filene Co., Boston, and a cousin of the late James J. Corbett, one of boxing's immortals, died Oct. 23 at his home in North Saugus, Mass. He was 62 years old.

Purchasing: CINCINNATI STYLE

*A Pioneer in Municipal Purchasing
Outlines Its Procedure*

By CHARLES E. LEX, JR.
Purchasing Agent, City of Cincinnati

IN its application, centralized purchasing is not new in Cincinnati nor is it unfamiliar to other municipalities or agencies either in the governmental or commercial field, depending on the extent to which the public or private buying problem or problems has demanded attention and the extent to which certain groups or individuals may have studied or investigated ways and means for keeping down the costs for equipment, supplies and materials. The degree to which the centralized idea has been applied, however, has obviously varied for one reason or another and we might expect to find varying results even under comparable requirement conditions unless all possibilities have been continually kept in mind and emphasized in any buying program followed.

What centralized purchasing may do for the community, district or organization in the way of savings and increased buying efficiency may well be considered a separate study which will not be detailed here. Instead, let us assume that its advantages are granted and that the following brief description of the purchasing procedure and policies of this city is merely intended to show how we are set up locally to buy for our several departments and boards and without meaning to disparage in any way, the procedure and policies of other bodies which may be making full use of their smaller or larger buying power.

Undoubtedly, however, we all have a tendency to drift into the proverbial "rut" so that it may be well for us to compare occasionally what we are doing with the

*Main Office:
Cincinnati
Purchasing
Department.*



practices of other purchasing departments, either to benefit in some way from their experience or perhaps to satisfy ourselves that nothing is being overlooked in our own office. In other words, many good ideas are formed from our contacts or from reports of what the other fellow is doing and in being open minded we at least have the means for broadening ourselves in our profession.

With this in mind, then, and to answer some very natural questions, it may first be of comparative value to summarize the purchasing volume in Cincinnati with these statistics:

1932 Requisitions, Purchases, etc.

Gross Running Purchases—	\$3,325,154
Departmental Requisitions—	6,787
Stores Requisitions—	2,664
Purchase Orders—	12,100
Contracts—	218

Leading up to this volume

8,672 master inquiry copies were run off in requesting prices from suppliers and

54,198 inquiries were actually mailed out to prospective bidders.

For the Reference Year

Sales of Obsolete Material amounted to	\$12,118.08
Refunds and Rebates	1,500.50
Sale of Concessions	3,158.50

or a total of \$16,777.08

In the Stores Division Sales
amounted to 46,564.68

In the Reproduction and Printing Division Sales amounted
to 11,443.24

Realized on running off approximately
120,000 sq. ft. of blue line and of white
line prints
14,000 sq. ft. of black and white prints
730,000 sq. ft. of Mimeograph copies
and
2,310,000 sq. ft. of Multigraph impressions

Office Personnel—1932

Two entirely separate Divisions are administered by the Cincinnati Purchasing Agent, the Department of Purchasing proper and a Reproduction and Printing Division.

In the first division the personnel set-up is:

1—Purchasing Agent
1—Assistant Purchasing Agent
3—Buyers
1—Head Clerk
and

1—Senior Statistical Clerk
1—Head Storekeeper
1—Junior Clerk
1—Senior Stenographer
3—Junior Typists
1—Messenger

In the second division or the Reproduction and Printing Division, the organization includes:

1—Foreman
1—Photographer
1—Assistant Multigraph Operator
1—Assistant Photographer
1—Messenger

DEPARTMENTAL POLICIES

There is perhaps little need to dwell long on the necessity for complete administration backing if the governmental purchasing department is to attain maximum results, granting the desire to take full advantage of the purchasing power

Continued on page 16

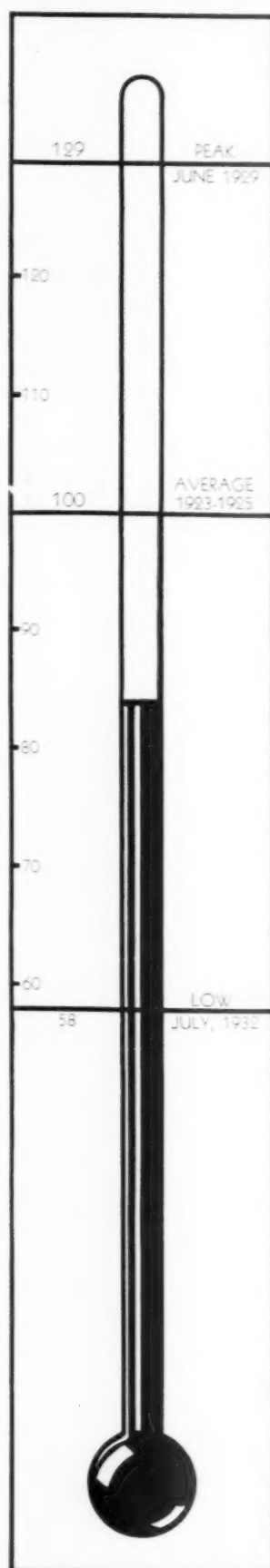
Pulse of Business

The recent announcement regarding the new national monetary program which includes the purchase of gold at a variable price both in domestic and foreign markets injects another factor into the already complicated commodity price situation. This latest move was made, according to the President, "in order to prevent dollar disturbances from swinging us away from our ultimate goal, namely, the continued recovery of our commodity prices."

While the situation has changed materially from a month ago when there were indications that a "sound money policy" would be followed and that attention would be directed toward a credit expansion as a means of stimulating prices, the latest announcement was encouraging in one respect. It contained no mention of the possibility of direct currency inflation by the issue of fiat money. On the other hand, there has not yet been any definite statement regarding monetary stability, a condition considered by many to be essential to sound progress.

Despite the many interpretations placed upon the recent move there is one point upon which the President is very positive. Referring to prices in general the Chief Executive said, "No one who considers the plain facts of our situation believes that commodity prices, especially agricultural prices, are high enough yet. . . . I am not satisfied either with the amount or extent of the rise, and . . . it is definitely a part of our policy to increase the rise and to extend it to those products which have yet felt no benefit. If we cannot do this one way we will do it another. Do it we will."

In view of this, the course of prices in the two weeks following the arbitrary fixing of the gold value is interesting. The gold-buying program was inaugurated Oct. 25 at a price of \$31.36 an ounce. By successive stages the price was advanced to \$33.20 on Nov. 10. In this period the gold value of the dollar declined from 66 cents on October 25 to 62 cents Nov. 10.



**INDUSTRIAL
PRODUCTION**

Theoretically this decline in the gold value of the dollar in international exchange should have been accompanied by an increase in commodity prices. An advance did occur immediately prior to the start of the gold-buying program, possibly in anticipation of it, but as the price of gold was raised, or similarly the value of the dollar was reduced, prices of many commodities declined. One daily index of prices of goods traded in regularly on an organized exchange declined 3.8 per cent from Oct. 25 to Nov. 4, but recovered some of the loss on subsequent days. The bureau of labor's weekly index was practically stationary in the two latest weeks.

Of particular significance in this movement was the fact that grain, meat and other food prices declined notwithstanding that most recent efforts have been directed toward raising prices of these commodities through processing taxes, etc. Prices of silver, rubber, tin, etc., commodities more influenced by world conditions, increased in recent weeks.

In the period from April to Nov. 1 commodity prices, judging by the bureau of labor's wholesale price index, have advanced about 18 per cent. Farm products on the latest report date were up 34 per cent from their low, having declined somewhat from their peak touched in August. At the same time, however, the gold value of the dollar has been reduced almost 40 per cent, judging by the price the R. F. C. is willing to pay for new gold, so that, in terms of gold, commodity prices touched a new low level in early November, almost 15 per cent below the March figure.

In addition, despite the levying of processing taxes on principal farm products, the gain in farm prices has been at a much slower rate recently than in the prices of goods farmers buy, so that farm purchasing power is now only 61 per cent of the five-year pre-war average, compared with 71 per cent in July.

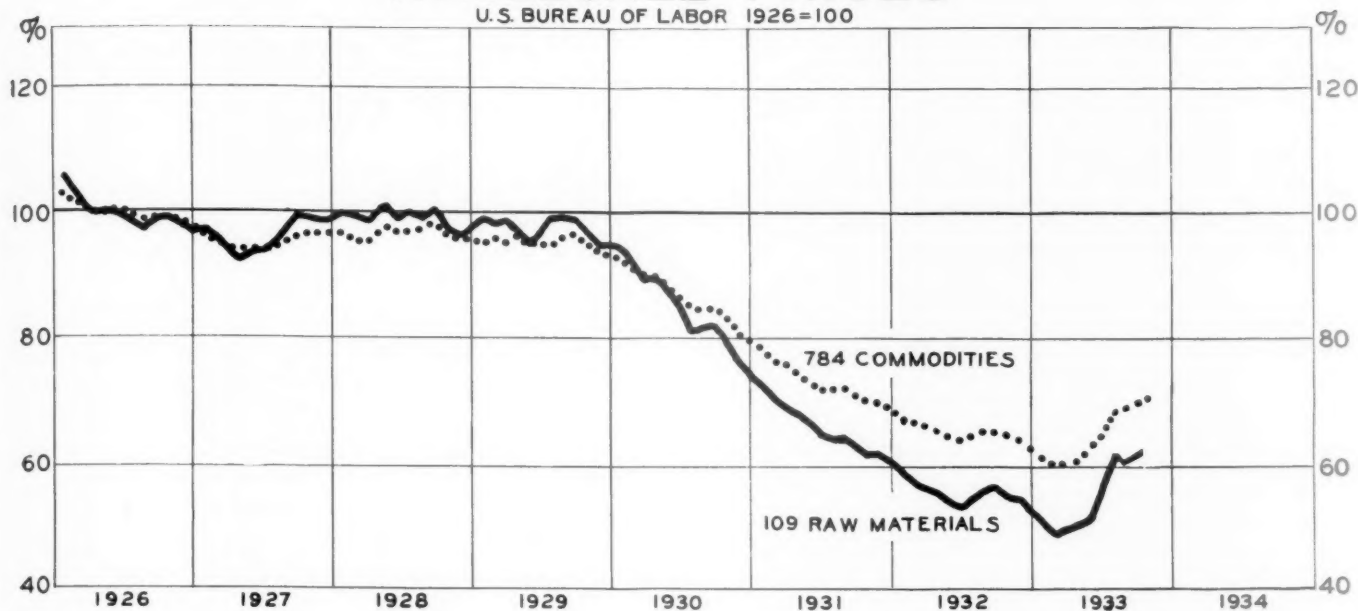
In view of the President's definite announcement regarding prices, however, it seems clear that if the gold-buying

Continued on page 34

Commodities

WHOLESALE PRICES

U.S. BUREAU OF LABOR 1926=100



STEEL

With buying limited to materials on which delivery is made by the end of the year under the steel code, little activity in the iron and steel markets has been evident in recent weeks. Average steel prices were reduced by the drop in rail quotations to \$36.375 a ton. Consumers apparently have large surplus stocks, purchased before prices advanced.

COPPER

Sales of copper, both for domestic and foreign markets, were limited and there are few indications of increased demand in the near future. Refined copper was quoted at 8 cents, delivered, to March for domestic markets. Buying is chiefly for immediate needs.

ZINC

Sales of zinc increased quite sharply in October, both compared with last year and the preceding month. Deliveries exceeded production and stocks on Oct. 30 were the lowest in three and one-half years. Zinc was quoted at 4.50c a pound in early November.

LUMBER

Sales and production of lumber in recent weeks have been in limited volume; the latter was above a year ago, but sales were down. Unfilled orders were below last year at this time. Prices were irregular, soft woods showing some decline in early November.

COTTON

Although raw cotton prices worked to above ten cents a pound in the second week of November on the crop report of 13,100,000 bales, which was below expectations generally, buying of finished goods continues in limited volume and takings of raw cotton by domestic mills are less than a year ago. Prices of finished goods remain quite firm.

PETROLEUM

Oil refining, which had been at an excessive rate for several weeks, was curtailed sharply in early November and crude oil production, at 2,300,750 barrels a day, was under the maximum prescribed by the oil committee. Storage stocks of motor fuels were reduced. Higher oil and refined product prices are scheduled for Dec. 1, though some weakness in early November was apparent.

RUBBER

Prices of crude rubber advanced recently despite unfavorable plantation news, but they were still below the high point of the year. Consumption of raw rubber in the latest month was 50 per cent greater than a year ago. Stocks of raw rubber were smaller than last year at this time.

COAL

Coal production in the latest week was below a year ago, in contrast with sizeable gains shown earlier this year. Stocks of coal above ground increased more than seasonally in the third quarter and were larger than last year at this time, but not abnormal. Coal is quoted at the highest price this year.

PAPER

Delay in ratification of a code is regarded as being partly responsible for the reduced demand. Fine paper and wrapping grade prices have been sustained, despite restricted sales. Paper board prices are much above the low touched earlier this year and exceed the 1927-29 average price.

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of the "brain trust"**

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20% to 50%**



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CINCINNATI PURCHASING

Continued from page 13

and other possibilities available to secure the best it may at the lowest prices. In other words, it is perfectly obvious that without complete cooperation and backing, that which may be accomplished by the purchasing agent and his organization is proportionately limited, even though every effort is made to purchase efficiently.

Without discounting in the slightest the results which may be recorded for other organizations, it has been very gratifying to have received in this city, the unqualified support of the city manager and the council by which the purchasing agent has been able to devote his full time to the building up of a constructive buying program which has undoubtedly paid its dividends to the taxpayers. Incidentally, the purchasing agent reports directly to the city manager in Cincinnati and as a direct member of his staff, is enabled to maintain a relation to other city manager departments and independent boards, which otherwise might be somewhat restricted.

As a matter of fact, the entire

policy of the city as it relates to purchasing might be covered by saying that every effort is made to encourage the receiving of prices, to give fair and impartial consideration to any quotations received and to select the best for the several requirements, at the lowest practical price. As is the case, undoubtedly, in many localities, all things being equal, the local bidder is favored as against the out-of-town bidder and in cases of local tie bids an effort is made to arrive at an equal distribution of the business involved, emphasis being placed at all times on strict adherence to the legal regulations and provisions governing our purchasing and in securing competitive bids even though the total purchase involved in any one case is less than \$500 or the limit set by law, above which all purchases must be publicly advertised.

OBJECTIVES

The objectives of the department of purchasing are perhaps not far different from those constantly before other agencies.

Continued on page 27



Stores Division: Cincinnati Purchasing Department.

*An Invitation
To All Purchasing Agents*

TO VIEW AN

EXHIBIT OF MEMBERS' PRODUCTS

AND TO ATTEND A

DINNER — SPEAKER: EDWIN C. HILL

FAMED RADIO PERSONALITY

SPONSORED BY THE PURCHASING AGENTS ASSOCIATION
OF NEW YORK

HOTEL PENNSYLVANIA — NEW YORK CITY

NOVEMBER 21, 1933



This annual exhibit inaugurated with much success two years ago will be held in conjunction with the November meeting of the Association. The arranging of this exhibit is offered as a stimulus to the improved industrial activity discernible in all lines.

Included in the exhibits will be a wide range of manufactured products, machinery and service, of particular interest and educational value to every purchasing executive.

Every purchasing agent is urged to attend. He will find the investment of time and expense to be well justified. Phone, write or wire your reservations for dinner to J. H. Leonard, Secretary P. A. A. N. Y., 1 Bridge Plaza, Long Island City, N. Y.

A BRIEF HISTORY *of the* PURCHASING AGENTS ASSOCIATION *of NEW YORK*

THE founding and early history of the Purchasing Agents Association of New York is coincident with that of the National Association of Purchasing Agents.

In 1913 there was a movement to organize the members of the purchasing profession into a national body, but due partly to skepticism of the advantages to be gained and as well as the lack of a full appreciation of the coming importance and influence of the purchasing function, little progress was made.

Up to that time the purchase of materials and supplies in many manufacturing concerns was usually left to the plant superintendent or other executive. The need for forming an association among the comparatively few claiming the position and title of purchasing agent was recognized by E. B. Hendricks who as a representative of the Thomas Publishing Co. traveled the country and had an extensive acquaintance among them.

He publicized his idea wherever he went and in the summer of 1913 succeeded in interesting 10 or 12 New York purchasing agents to hold a meeting and lay plans for a temporary organization. Another meeting was held in October of that year and a small fund was gathered to defray the expense of carrying on the work. The second meeting was attended by 108 purchasing agents.

In January, 1914, a permanent organization was formed and a committee appointed to solicit membership. The response to the committee's efforts was far from spectacular and meetings held between that time and the following June indicated that the association as a national body was languishing. In June, however, a dinner arranged in New York met with gratifying attendance and proved to be the turning point in the association.

The aim of these hardy pioneers in the profession up to this time was a national organization, but the realization came to them that this body of men, influential in their field of industry, were practically unknown to each other and in order to erect a lasting national structure it would be necessary first to

have a solid foundation of local associations. Accordingly the national scheme was submerged for a while and attention was given to forming the Purchasing Agents Association of New York.

While the New York organization was being perfected, E. B. Hendricks succeeded in organizing local branches in several cities. He also found that local associations were already in existence in Boston, Buffalo and Denver.

Each succeeding meeting of the New York association, with which this history is primarily concerned, manifested an increasing interest among purchasing agents and after a few months the association was fairly well established. In March, 1915, a group of five New York members incorporated the National Association of Purchasing Agents and held the first national meeting in New York in April, 1915.

The World war and the problems it created for industries and purchasing agents put the association to the test and that it met the test was demonstrated by its growth and success in subsequent years.

The first officers of the New York association elected on February 2, 1915 were as follows:

W. B. Murdock, DeLaval Separator Co., president; F. C. Idler, Prudential Insurance Co., Newark, 1st vice president; C. D. Massey, Equitable Life Assurance Co., 2nd vice president; J. I. McComb, Joseph Dixon Crucible Co., treasurer; E. B. Hendricks, secretary. Executive committee: J. R. Pels, Warner Sugar Refining Co., chairman; W. B. Fox, Jr., W. B. Fox & Bro.; F. W. Lingley, American Hard Rubber Co.

J. R. Pels was subsequently elected the first president of the National association.

Of the original officers, F. G. Idler alone remains an active member, while Messrs. Pels, Murdock and Lingley are honorary members.

Meetings of the New York association in the early days were held in the Hotel Breslin and later in the Builders' Exchange club. The meeting place is now the Western Universities club, New York.

PRESIDING



G. M. TISDALE
President
P. A. A. of New York

Program

11:00 a.m. to Midnight

EXHIBIT

6:30 to 9:30 p.m.

DINNER

La Salle Moderne

(Adjoining Exhibit)

MUSIC

SPEAKER



EDWIN C. HILL
Noted Author, Traveler and
Radio Personality

THE Program Committee is fortunate indeed in securing its main speaker, Edwin C. Hill, whose subject will be "World Travels."

Edwin C. Hill is further support of the theory that Hoosier soil is particularly suited to the growth of authors. Hill was born in Aurora, Ind., and among his 4000 fellow-townsmen was another literary figure — Elmer Davis.

Had family tradition been stronger, Hill would have become a schoolmaster, for his father was a county superintendent of education and his mother was a teacher. His early youth was distinguished by only those things that the boy in a small community experiences. After having graduated from the Aurora high school, he enrolled as a student of the University of Indiana.

It was at college that Hill decided he wanted to join the staff of the New York *Sun*. He majored in English at the University and the professor used the New York paper for purposes of illustration. The small town student became interested in the metropolitan daily and determined that some day his writings would appear in it.

Upon receiving his degree, Edwin C. Hill became a reporter for an Indianapolis paper. His inborn news sense and writing ability soon evidenced themselves. In quick succession he served editors in Fort Wayne and Cincinnati, in each case being given more and more important assignments. Eventually he considered himself ready for metropolitan journalism. Without letters of introduction he presented himself at the desk of the New York *Sun*. The city editor liked the appearance of the persistent young Hoosier and gave him an assignment.

Within four months Hill had established a record. Never before in the history of New York journalism had a cub reporter succeeded in being paid by space

in less than eight months, and Hill reached this point in half that time.

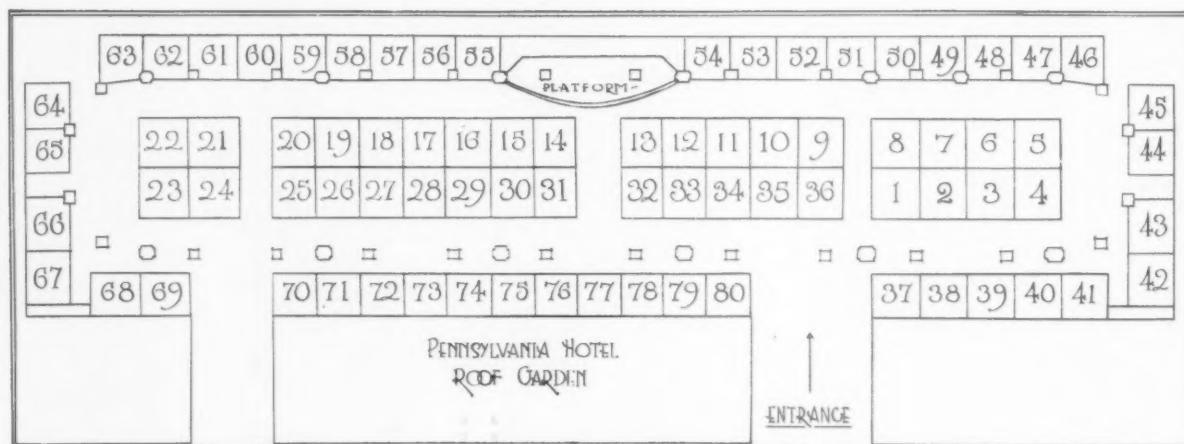
For more than 20 years he has been the *Sun's* star reporter. His brilliant writing style has made him one of the most widely read correspondents. In two decades he has covered every leading New York murder case, most of the important criminal and civil trials and leading disasters. His especial flair for human interest material has won him a large following and his discussions of the news from this point of view have made his talks among the most popular on the air, although he is a radio novice in comparison to other speakers on current events.

Although his regular post is in New York, he has been sent on many occasions to various centers of interest throughout the United States, Europe, and Central and South America. He has covered 10 national political conventions, beginning with the Democratic session of 1912 at Baltimore which nominated Woodrow Wilson. During the recent conclaves at Chicago he filed on the average of 8000 words daily. His familiarity with the ways of politics and politicians finds him ideally suited for the task of interpreting the significance of the *Literary Digest's* Presidential Poll.

For several seasons he was associated with the motion picture industry. At one time, he was director of newsreels for one of the large film companies and later went to Hollywood to supervise scenario writing for the same organization. Eventually, he returned to New York and resumed the labors of his first love — newspaper reporting.

Hill is married to the former Jane Gail, one-time well known film actress. He is fond of horseback riding and golf, and is exceptionally happy when he can get into the low nineties. One of the joys of his life is his bull terrier.

EXHIBIT FLOOR PLAN



LIST OF EXHIBITORS *with Booth Numbers*

- | | |
|---|---|
| 1. Equitable Office Building Corp. | 31. L. & C. Mayers Co. Inc. |
| 2. American Oil & Supply Co. | 32. Spaulding Fibre Co. Inc. |
| 3. Worthington Pump & Machinery Corp. | 33. Standard Gas Equipment Corp. |
| 4. International Products Corp. | 34. The National Lock Washer Co. |
| 5. Lowe Paper Co. | 35. Bennett Bros. Inc. |
| 6. Eagle Pencil Co. | 36. Rockwood & Co. |
| 7. Air Reduction Sales Co. | 37. L. O. Koven & Bro. Inc. |
| 8. Star Corrugated Box Co. Inc. | 38. The Okonite Co. |
| 9. Pyrene Mfg. Co. | 41. Premier Metal Etching Co. |
| 10. Eclipse Aviation Corp. | 43. Dairymen's League Co-Operative Assn. Inc. |
| 11. Oakite Products Inc. | 44. Empire Box Corp. |
| 12. American Mfg. Co. | 46. Neptune Meter Co. |
| 13. The Jacobs Bros. Co. Inc. | 47. Union Towel Supply Co. |
| 14. Electro Dynamic Co. | 49. Nason Manufacturing Co. |
| 15. West Disinfecting Co. | 52. Robert Gair Co. Inc. |
| 16. General Foods Corp. | 53. Metropolitan Museum of Art |
| 17. United States Rubber Co. | 56. Monroe Calculating Machine Co. Inc. |
| 19. General Electric Supply Corp. | 63. The Elco Works |
| 20. Gold Dust Corporation | 65. Chase Brass & Copper Co. Inc. |
| 21. The Borden Sales Company Inc. | 66. Tide Water Oil Co. |
| 22. Ediphone—Thomas A. Edison Inc. | 68. Quantiproducs Machine Corp. |
| 23. Socony-Vacuum Corp. | 69. Emil A. Schroth |
| 24. Celluloid Corp. | 69a. Hoffman Beverage Co. |
| 25. The Federbush Co. Inc. | 70. Standard Brands Inc. |
| 26. Lily-Tulip Cup Corp. | 73. International Mercantile Marine Co. |
| 27. Consolidated Lithographing Corp. | 77. Charles A. Schieren Co. |
| 28. The National Sugar Refining Co. of New Jersey | 79. Walter Kidde Inc. |
| 29. Lee Spring Co. Inc. | Walter Kidde Constructors Inc. |
| 30. The Bates Mfg. Co. | 80. Prentice-Hall Inc. |

Gifts

NOW IS THE TIME TO THINK OF CHRISTMAS GIFTS

The usual advantages secured by early ordering of Holiday Gift Merchandise are further enhanced this year in a most important particular—PRICE.

Prices are steadily rising. In order to assure our customers the greatest measure of price protection we will reserve merchandise selected now for later delivery.

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WATCHES
JEWELRY
SILVERWARE
ART WARES
TROPHIES



LUGGAGE AND
LEATHER GOODS

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SAMPLES and SALES

The Law Protects Both Buyer and Seller

THE law is well settled that under ordinary circumstances a seller is bound to deliver merchandise to a buyer equal in quality to the samples shown when the sale was made. However, many variations of this established rule of the law arise from time to time.

Therefore, the purpose of this article is to review thoroughly and practically the important higher court cases with a view to imparting dependable legal information on the rights and liabilities of buyers and sellers who consummate sales by means of samples. Moreover, where it is practical to do so, the exact words of the courts will be cited, thus assuring readers of dependability of the legal information.

First, it is important to know that the outcome of a litigation involving sales made by samples often is dependent upon whether the merchandise is sold f. o. b. the buyer's location or f. o. b. the seller's distributing point.

Another question which often arises, is: Did the buyer have ample opportunity to inspect the merchandise when the purchase was made by the samples? Also, in many instances, a purchaser may unwisely attempt to avoid accepting and paying for material on the contention that the verbal promises made by a salesman or a broker were at variance with the terms of the written contract, or the quality of the displayed samples. Therefore, these various points of the law will be well illustrated by leading cases.

SHIPMENTS

Generally speaking, if goods are sold f. o. b. the seller's location, the important consideration of the

By LEO T. PARKER

Attorney at Law

court is: Did the merchandise conform with the samples when the shipment was delivered *by the seller to the carrier*? On the other hand, if the selling price is f. o. b. the buyer's factory, then testimony showing the condition of the merchandise *when it reached its destination* is of greatest importance.

In other words, the seller is liable for changed condition of the goods during its transportation only when the sale is made f. o. b. the seller's plant.

The courts have consistently held that where an order specifies f. o. b. cars, the buyer is responsible for the changed quality or damage to the goods during transit, but if the price is f. o. b. the delivery point, the seller impliedly guarantees that the goods shall equal the samples *when they arrive* in the cars at the buyer's location.

A leading higher court case involving this point of the law is *Barkley & Co. V Burguières Co.*, 115 So. 915. In this case a buyer purchased merchandise by samples, with the understanding that the shipment was to be made f. o. b. the cars. When the shipment arrived the purchaser refused to accept the goods. During the ensuing litigation it was proved that the merchandise was of inferior quality when delivered by the seller to the railroad company. In view of this testimony the court held the buyer not required to accept the same, saying:

"In sales by samples the vendor (seller) impliedly warrants that the bulk of the article sold agrees in quality with the sample . . .



LEO T. PARKER

The inspection must be made in a reasonable time and, unless so made, the purchaser will be concluded by his delay."

REJECTION

Another important point of the law is that where a seller makes a shipment, a portion of which does not equal the sample submitted, the purchaser may accept and pay for the portion of the shipment that equals the sample and he may without liability reject the balance.

For example, in *Meyer, Wilson & Co. V Everett Co.*, 184 F. 945, it was disclosed that a seller and buyer by correspondence entered into a contract of sale for merchandise. During the correspondence the seller sent the buyer a sample. The purchaser did not inspect the shipment until several days after its arrival when he discovered that a portion of it proved to be inferior to the sample. He accepted and used the good merchandise but refused to pay for the balance.

The seller instituted legal proceedings to recover the full amount of the contract price contending that, notwithstanding the inferior quality of a portion of the shipment, the purchaser technically accepted delivery of the entire shipment when he accepted and used a portion of it. In other words, the seller based his suit upon the idea that the purchaser was legally

bound to accept and pay the contract price for all of the material regardless of its quality because he had accepted and used a small portion.

However, the court held this idea to be incorrect and, in holding the purchaser not required to pay for the unsatisfactory portion of the shipment, said:

"The idea is contrary to the rule of law applicable to the case, because it ignores the implied warranty upon which the defendant (purchaser) had a right to rely. The defendant (purchaser) acted within its legal rights in resisting the plaintiff's (seller's) demand for the price of the portion inferior to the sample. The rule is well established, by numerous decisions of the courts, that a breach of an implied warranty of quality entitles the vendee (purchaser) to retain the goods, and, when sued for the purchase price, to set up the breach of warranty to reduce the sum recoverable by the vendor (seller). . . . The measure of damages which the buyer may claim for breach of an implied warranty of quality is the difference between the actual value of the property delivered and the higher value of the warranted quality; and if there is no other evidence of value, the price agreed to be paid will be regarded as the value of the property of the quality warranted."

NOTIFICATION

On the other hand, a buyer is bound to promptly notify the seller if he discovers that the goods do not equal the samples displayed when the contract of sale was completed.

For illustration, in the leading case of *Brown V Scheurman*, 128 Pac. 83, it was disclosed that a purchaser entered into a contract to purchase a quantity of material to be equal to the sample displayed by the seller.

Two or three shipments were received by the purchaser without complaint. However, the buyer

discovered the merchandise to be "off color" when compared with the samples and refused to use it.

However, the seller was not informed of this complaint and continued to ship the merchandise. Later the purchaser refused to accept the shipments and, also, refused to pay for the goods previously shipped. The seller instituted legal proceedings to recover the full purchase price contending that he was not liable for any warranty, because the purchaser had failed to inform him promptly that the merchandise was not satisfactory. The court held the seller entitled to recover the full amount of the contract price and stated the law, as follows:

FAIRNESS

"It is too fundamental to require discussion here that a purchaser of personal property who receives and accepts the property, knowing at the time its condition and fitness or unfitness for the purpose for which he is purchasing, cannot accept the same and appropriate it to his use and continue to demand, receive and accept more and more goods of the same character and quality, and then, after he has used it, raise objection for the first time that it was not up to the standard or like the samples of the goods he contracted for in the first instance. He must be fair and open about his dealings. If the goods furnished are not up to the standard or the sample, he must use reasonable diligence in apprising the vendor (seller) and make his objection and refuse to accept further goods of the kind."

EMPLOYEES

Moreover, the established legal rights of the parties are not affected by the failure of a broker or salesman to communicate the buyer's instructions to the seller. This is true because legally a broker or salesman is deemed agent between the buyer and seller. For

this reason the seller is not usually liable for promises made by a representative, unless it is proved to the satisfaction of the court that the seller performed some act by which the purchaser believed that the representative had proper authority to make valid contracts.

Therefore, a buyer cannot avoid liability on a contract of sale by proving that a salesman promised that the shipped merchandise would be superior to the quality or grade of the samples displayed when the sale was made.

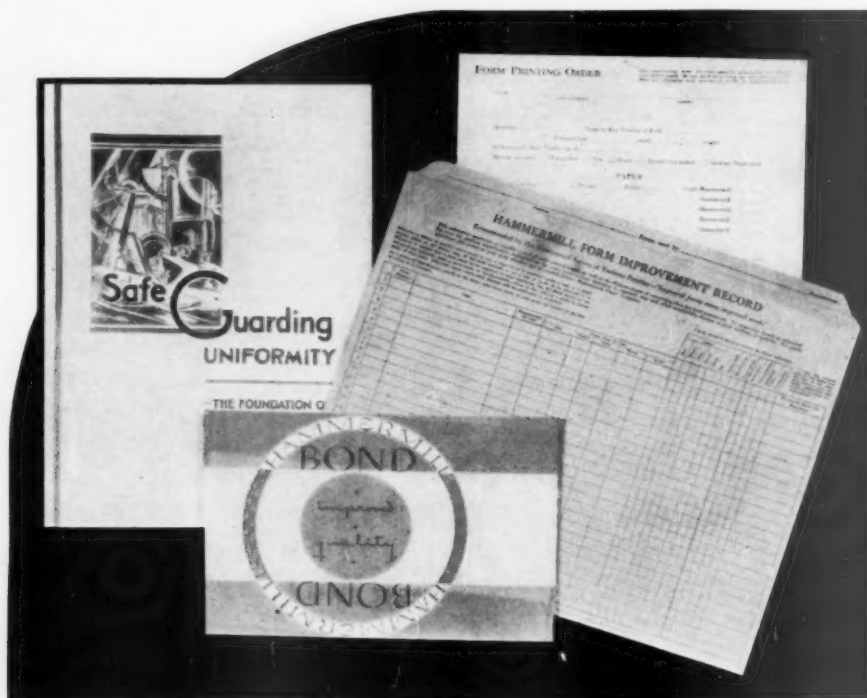
For instance, in the late case of *Adkins V John Barkley*, 297 S. W. 757, it was shown that a salesman displayed samples to a prospective purchaser. The buyer stated to the salesman that he would place the order if the quality of the material would prove *slightly better* than the samples displayed. The buyer placed the order and the salesman neglected to inform his employer that the purchaser desired better merchandise than the samples displayed.

The purchaser refused to accept the shipment contending that the goods when delivered did not equal the quality he expected. However, the evidence proved that the material when delivered to the cars equaled the sample displayed by the salesman. In view of this testimony the court promptly held the buyer liable, explaining important law as follows:

DECISION

"The sale was by sample. . . . We understand the rule to be that when a sale is made by sample, the sample becomes the standard of comparison for the eye as to quality and kind, *instead of the ear, and memory in description*, in determining whether the goods sold come up to the description of the goods sent. The bulk of the goods, to complete the sale, must correspond with the samples; if not, the buyer may reject when delivery is tendered. A warranty is implied

Continued on page 30



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PURCHASING AND TH

Continued from page 6

from the governmental purchasing agents of the state confidential reports on the volume of purchases, the unit price and the source of supply on a wide range of staple commodities which are used in common by the majority of governments. The reports are then consolidated and distributed in mimeographed form to all the public buyers for their information.

At first, the range of prices paid by different governments was rather astounding. In some cases, one government would be found to be paying almost twice as much as a neighboring government for the same article. Now the price range is narrowing and all buyers are benefitting by the experience of their fellow-buyers.

Another organization of municipal officials—the Michigan Municipal League — has for several years engaged in cooperative buying. Fire hose, electric lamp bulbs and other staple requirements are purchased on standard specifications in bulk quantities representing the combined needs of all participating governments. The savings have been almost unbelievable. The little government which previously was a small buyer now secures the same price advantage as the large buyer. This method of cooperative purchasing is an extension of the principle of centralized purchasing on an inter-governmental basis. It has almost unlimited possibilities for economy if widely practiced.

COORDINATION

The third — and equally significant experiment — is coordinated purchasing, first tried out in Cincinnati, Ohio. Coordinated purchasing began in June, 1931, with a coal contract for the City of Cincinnati, the Board of Education, and Hamilton County. Each of these governments then had — and still has — a purchasing agent and central purchasing system. The

three buyers had cooperated in the preparation of a standard specification. Bids were asked on the coal requirements of each government, and also on the combined requirements, totalling 100,000 tons. By making one purchase instead of three, a saving of \$1 per ton or \$100,000 was brought about.

For a year thereafter, the school and the city entered into joint contracts for a considerable number of articles which were used by both governments and were bought on standard specifications. This coordination was the more easily accomplished because one man served as purchasing agent for both governments, although maintaining separate offices and staffs.

Early in 1932, there was formed in Cincinnati the Coordinating Committee of Purchasing Agents consisting of the city purchasing agent and his assistant; the county purchasing agent; the commissioner of supplies of the Board of Education, and the purchasing agent of the University of Cincinnati which is supported by public funds. One of the first acts of the coordinating committee was to undertake a program of standardization. It was found, for example, that the sizes of floor brushes used by the different governments could be reduced from eight to four, and specifications for these four standards were devised. It was also found that the city used three grades of gasoline and the county two additional grades. The joint specification as finally agreed upon provided for three standard grades.

Similarly, joint standards and specifications have been adopted for nearly 100 different commodities, including coal, canned goods, electric light bulbs, carbon paper and soap. The laboratories of the University of Cincinnati have been of great aid in testing samples as a basis for the adoption of written specifications and also for testing

Continued on page 26



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deliveries to insure their conformance with the order or contract.

COOPERATION

The coordinating committee meets weekly or oftener if necessary. The time to buy as well as the quantity to be bought, in the light of market conditions, are agreed upon in conference, thus giving the taxpaying public the benefit of the combined judgment of its various buyers. Standard forms of advertisement, bid and contract have been agreed upon and are used in separate as well as joint purchases. When a purchase is to be made of a commodity covered by a joint specification, bids are asked on the combined requirements, and the bids are opened and discussed by the committee before the award is made to the "best bidder."

The requests for bids indicate the quantities to be delivered to the different governments. Each government contracts separately, receives separate deliveries, and is responsible for inspection and testing, acceptance or rejection of deliveries, but receives the benefit of the lower unit prices resulting from the bulk purchase. Joint contracts have been awarded for nearly 40 of the commodities used by the various cooperating governments.

If the amount of the expenditure for all governments concerned is less than the maximum fixed by law, the purchase is made in the open market instead of by contract. In this case, one member of the committee is delegated to secure bids in behalf of all the governments, although the decision on the award is arrived at by the whole committee.

It has been estimated by those connected with coordinated purchasing in Cincinnati that the savings have averaged five per cent. In this connection, it should be borne in mind that each cooperating government has a competent purchasing official with a satisfactory system. Hence, the savings can be attributed only to the

lowered prices through increased buying power.

What makes this plan so practicable and so easy of accomplishment is the fact that each government retains its financial autonomy. There is no pooling of funds; only the buying power is pooled in the interests of lowered prices through larger purchases. Each government continues to buy separately those articles for which it has peculiar needs. There is a common meeting ground when the different governments use the same commodity.

OPPOSITION

In all parts of the country, county governments and the school systems have bitterly opposed any step which would lead to the surrender of their own individual authority. Hence, it is a real man's job to centralize the purchasing of the city and the county or the city and the schools. But coordinated purchasing secures the advantages of centralized purchasing while meeting the objection of the county and the schools that many of their requirements are different and should be separately satisfied.

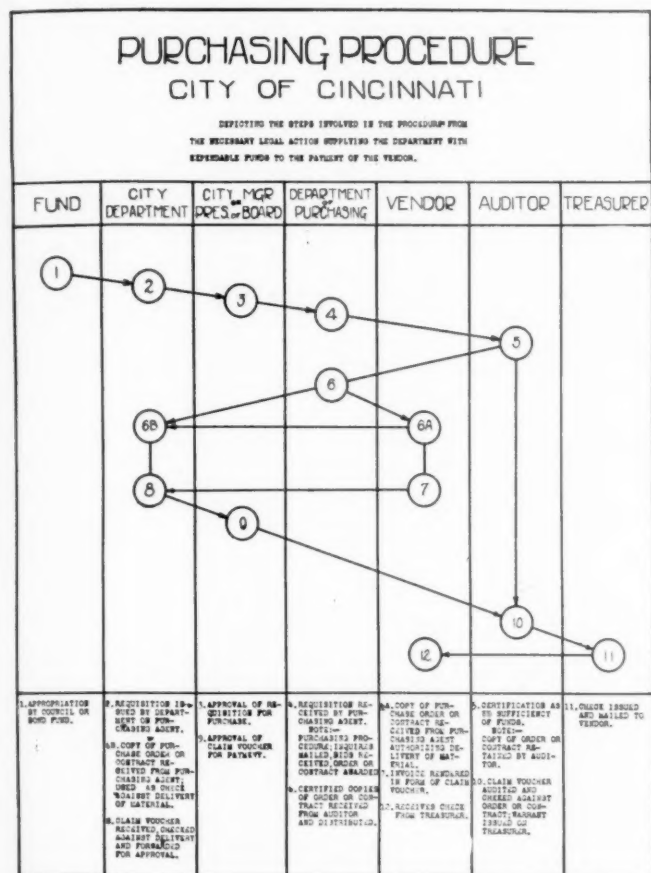
The answer of Cincinnati's experience is: if their needs are really different, let them be purchased independently. But it's quite a job for any politician to prove that a school building needs a different quality of coal for heating purposes than a county building or a city hall!

The time has come—if indeed it were ever absent—when the different governments in a locality should get together in a common objective: to reduce the cost of government.

In the final analysis, it is the taxpayer who supports the city, the county, the schools and every other government which does business in any locality. Few taxpayers can afford now to support several household establishments. The public business should likewise be simplified to conform to present-day conditions.

PURCHASING : CINCINNATI STYLE

Continued from page 16



From Taxpayer
to Vendor — The
Cincinnati Plan.

interesting examples are on record to illustrate what has been accomplished.

This phase of our purchasing activities, however, will not be discussed further, here, as it involves almost a separate study in itself. In fact, both this and other subjects mentioned may not be treated at sufficient length to answer the questions which may come up in some minds so that a further discussion of any one particular item may be desired.

(This is the first of two articles on municipal purchasing. The second will appear in our next issue.)

PURCHASERS' LIBRARY

Accounting, Theory and Practice of: Bell, two vols., 532 pages; cloth, \$3.00. A thorough treatment of the uses of modern accounting methods in present-day business.

Air Brakes: Ludy, 223 pages, 160m illustrations; cloth, \$2.00. Presents in clearly understandable form the secrets behind modern air brakes for steam and electric railroads, street and interurban railways.

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Blueprint Reading for the Machine Trades: Fortman-McKinney, 154 pages, 89 illustrations; cloth, \$1.50. An exceptionally clearly written book on this very important subject.

Contracts and Specifications (Buildings): Nichols, 102 pages; cloth, \$1.50. Illustrates methods of awarding and executing public and private contracts. Also explains relation of architects, contractors and owners.

Especially in the governmental world, our general problems are somewhat the same and as a constant study might be summarized under a few brief headings:

To take the greatest advantage of the buying power available not only in filling present needs but in anticipating future requirements.

Obviously to buy the best at the lowest price which involves a study of—

- a Specifications and
- b Sources of Supply

To continually keep in mind an efficient service to the using City Departments

- a Expediting orders or contracts
- b Arranging for proper deliveries and
- c Inspecting and Testing delivered material as the purchasing conditions may have specified.

To keep in mind also a service to the bidders whereby they receive prompt and clearer inquiries for prices which, after submission, are carefully analyzed and considered before any selection is made or award approved.

To check compliance with legal requirements.

To be familiar with markets and with trade practices and

To utilize the facilities of the Stores Division in certain perfectly obvious ways.

Some may think of additional objectives or may suggest that those listed above be modified here and there but in any arrangement the details seem somewhat unimportant if the purchasing agent continually endeavors to plan constructively his buying program on the theory that it is well worth while to "leave no stone unturned" to secure the most from his office in the pursuance of its activities. In Cincinnati a further step has been taken with extremely gratifying results and at practically no expense to the taxpayers, in coordinating the purchasing power of the city with that of the University of Cincinnati, the board of education, the county of Hamilton and the public library, and many



Continued from page 9

past, even among those raised in the old tradition.

CAUTION

Today, no one buys anything on impulse, sales resistance is high, competition is keener and selling has become much harder work. Most of the high powered boys have fallen by the wayside as a result, and in their places we have the thoroughly trained salesman of today. Which brings me at long length to the purchasing agent's relation to the sale of steel. Many of our salesmen feel that they are not given sufficient opportunity to render the service they are equipped to provide. By this I mean advice on grades and finishes, and, in the case of alloy steels, on analyses and methods of heat treatment.

Many steel salesmen today are equipped with both technical and practical training. They are able, if given the opportunity, to study, analyze and prescribe for the buyer's needs. In the old days when steel was a commodity with generally standardized properties such service was not so necessary. Today with the development of new alloys, new properties and new finishes in such numbers as to be confusing to almost anyone, the

buyer has everything to gain and nothing to lose by taking the salesman of any good steel company into his confidence.

STAINLESS

The one development in steel which to my mind outshines all others of the past decade is the amazing growth of the stainless steels. They have literally been used for almost everything from fine jewelry to tank cars. And when you consider that the first really important tonnage of the material came when Ford used it for radiator and lamps on his first Model A, you will appreciate how recent has been this broad development.

Stainless has gone right through the depression showing consistent gains, entering new industries, replacing old materials. We had a lot more stainless on the MACON than we did on the ill-fated AKRON, and some very interesting experiments are being carried on pointing to its wider use in structural members. The United States Navy bids fair to be the most important single customer for stainless. It is being used for pots and pans, for knives, forks and spoons, gasoline storage tanks, ice boxes, trim, floor gratings, salt water piping

EXIT IRONMASTER

and even masts, due to its immunity to the action of salt water and salt air.

*"...everything
from fine jewelry
to tank cars."*

Nearly every industry processing food products of any description is now using stainless and some, such as the dairy industry, have adopted it almost exclusively. It is being used for false teeth and for the new high speed trains, for etched portraits and for tubes in oil-cracking stills.

And here, I might mention, is a use for certain grades of stainless which has nothing to do with its appearance. I refer to high temperature service, of which oil refining is an example. The new cracking processes by which such extremely high gasoline yields are obtained from crude oil were made possible by the availability of the stainless steels in tubular form. Stainless tubes are now operating at constant temperatures of 1800 degrees and under extremely high pressures with perfect safety. Such a temperature is glowing red heat and never before the advent of stainless had metal been available in any form except castings which could maintain its strength at such temperatures.

Some of the technical people feel that the use of stainless in high temperature service will be its biggest field, as they expect it ultimately to revolutionize accepted methods of steam generation.

BEER

Beer has been another boon to stainless. Not that the breweries themselves have used any great quantities, as they were obliged to get under way with the smallest possible capital expenditure, but the builders of beer dispensing equipment have used it liberally. Apparently the massive, heavily carved wooden bar of the old days is gone never to return, and modernistic effects seem to be the keynote in most of the new equipment being built. We received not long

ago what we believe to be the largest single order for stainless ever placed, from an Akron manufacturer of metal beer barrels, which will have a stainless inner shell and an ordinary steel exterior.

I could go on almost indefinitely about the many more uses to which this practically everlasting metal has been put in the last few years, but if I continue you may get the opinion that stainless is the only worthwhile product that Republic or the rest of the industry makes. I have dwelt on it at some length because it is the one product of the steel mill today that possesses romance, if steel may be referred to in that manner, and because of the importance we attach to it in the Republic picture.

Stainless represents only a small proportion of our five million tons annual capacity, yet it was on stainless that we made our only major capital expenditure during the depression, giving us the largest facilities in the world for its production.

PIONEER

In the last few minutes of play it occurs to me that it might not be a bad idea to take those of you who buy steel or fabricate steel products behind the scenes and let you see what goes on in a large steel company to insure the quality of the products you make. To set the stage I'll have to tell you a little story from real life.

About 1905, Henry Ford, a young mechanic, was building and racing his own cars, testing his ideas on the only proving ground then known to the industry. In a Florida road race in which he was a contestant a French car was badly wrecked. Ford noted while examining the wreckage that valves and many other parts of this car were smaller and lighter than anyone who had any scruples about his own safety had ever dared to build in this country. He took some of the pieces to a laboratory, had them analyzed and found them to be

chrome vanadium steel. It was probably at that time that he conceived the vision of the light, safe, very low-priced car which was to revolutionize the American standard of living. Such steel had been made, but only in very small quantities at very high cost.

Ford began a weary round of the leading steelmakers to induce them to make such steel in commercial quantities in an open-hearth furnace at a commercial price. He met with nothing but refusal. The idea was considered entirely impractical. Finally he came to a little steel company in Canton, Ohio, which probably needed business badly enough to try anything. After many failures the method was worked out and the commercial alloy steel industry was born.

The first Model T came out, full of alloy steel and weighing exactly 1250 pounds. What happened thereafter is history and the little steel company for many years enjoyed practically every pound of the Ford business and grew and prospered accordingly. It is now one of the important units of Republic.

RESEARCH

During the rapid development of the automotive industry it was quickly discovered that steels tough and strong enough for certain applications could not be hardened sufficiently for gears. Hundreds of similar problems presented themselves as automotive designers outdid each other in developing faster, safer, stronger cars. As a result tremendous research facilities were built up, on a scale that old line steel companies had never dreamed of. As a matter of fact Republic's research and laboratory facilities today are exceeded among steelmakers only by Krupp of Germany.

I point this out, not to do any hornblowing particularly, though I happen to be the official drummer of the outfit, but to indicate that the buyer of steel today receives and has a right to expect

something more than the smelted product of so much iron ore, coke, limestone and scrap. He has a right to insist on expert metallurgical knowledge and advice as part of his steel purchases, and he gets them today, not only from Republic but from any good steel company.

That is why I urge the steel buyer to take the mill representative into his confidence. One of two things may happen — a better quality product for you at no increase in cost, or maintenance of the same quality at lower cost. Give the salesman information fully and freely. Our operating department frequently refuses to fill perfectly legitimate orders because they do not know enough about the ultimate use to which the steel will be put. It's hard to imagine anyone refusing business these days, but it actually happens. Under the New Deal and a one price policy the steel buyer must make his decisions on quality and service. Service must be a cooperative proposition.

If I have said anything tonight which would indicate that I am pessimistic about the business outlook or out of sympathy with the effort being made at Washington to solve our current troubles I want to correct the impression. We are optimistic at Republic. World conditions are definitely better, which after all is the basic requirement for recovery. There are a million less people on the dole in England. In nearly every commercial country improvement is unmistakable. And we have no particular worries about governmental excesses over the long pull. Government will tend to become more and more conservative as this country ends its pioneer era and enters an "Old World" phase. If I have any message for the man who buys steel it is this: consider the old order a thing of the past; take advantage of the new things steel has to offer you; give us a chance to demonstrate what we can do for you under our own New Deal.

SAMPLES and SALES

Continued from page 23

in sales by sample; that the goods shall be of like quality, character of the sample, a condition precedent to a completed sale. . . . If the goods are to be shipped to the purchaser, in the absence of an agreement to the contrary, *delivery to a common carrier is delivery to the purchaser*, and the quality of the goods is to be determined at the place of sale, that is, at the point of shipment. Inspection may be made at the place to which the goods are shipped, but its effect would only be to determine the condition of the goods at the point of shipment."

Also, it is well to know that a salesman's sole *implied* legal authority is to accept an order and send it to his employer for approval. If the latter is not satisfied with the offer submitted he may reject the proposal or simply refuse to deliver the goods without sending the buyer a notification. And conversely, the buyer is privileged to send his cancellation at any time before the seller acknowledges the order.

MERE AGENT

In other words, the law is established that a salesman is merely a special agent, whose implied authority extends no further than to solicit a buyer's order or proposal to purchase merchandise.

Therefore, if the seller desires he may, without liability, reject an order sent in by the salesman, providing the rejection is made promptly upon receipt of the order. Moreover, this is true although both the buyer and the salesman signed the order intending to complete a valid contract of sale.

On the other hand, many employers have incurred liability as a result of performing some act by

which an order taken by his salesman was held valid and enforceable, although the employer did not acknowledge and accept the order.

Probably one of the most certain ways of a seller unintentionally authorizing his salesman to make enforceable contracts is to inform a prospective customer verbally or in writing that any and all promises or contracts made by the salesman will be fulfilled. Also, any other act of the employer by which a buyer is honestly led to believe that the salesman is authorized to make valid contracts results in such contracts being binding.

DAMAGES

Various courts have held that a seller who fails to deliver purchased goods in conformity to the samples displayed may be liable for *all* damages sustained by the purchaser as a result of the breach.

For example, in the leading case of *Gascoigne V Cary Co.*, 104 N. E. 734, it was disclosed that a purchaser contracted to purchase from samples a quantity of material. Upon delivery of the material the buyer failed to inspect the same but used it since the general appearance did not disclose any variations. However, later the purchaser discovered that the exterior of the goods was not of uniform shade or appearance and not similar to the samples displayed when the sale was made.

In the ensuing litigation the purchaser contended that he was entitled to recover damages for the various items of expenses incurred on account of the goods not being equal to the samples.

The court, in holding the seller liable to the purchaser for the defective quality of the material and also liable for the necessary ex-

penses incurred by the purchaser, explained the law on the subject in the following language:

"The defendant (seller) impliedly warranted that the bulk should correspond with the sample . . . the evidence was plenary that the shipments did not conform to the sample in quality. . . . A conclusion that no negligence had been shown, in connection with the uncontradicted evidence, that notice was promptly given to the defendant (seller) who declined further performance, would warrant the assessment of damages for not only the difference between what the plaintiff (buyer) bought, and what he received, but also the expense of replacing the material."

INSPECTION

The rule is well established that if a buyer has no opportunity to inspect the merchandise when he orders from samples, he *never* is bound to accept and pay for the shipment if the quality of the delivered material fails to equal the quality of the samples.

On the other hand, if the buyer has *ample opportunity* to make inspection but fails to do so and orders from samples, then he is *not* entitled to damages, unless it is shown to the satisfaction of the court that the seller fraudulently induced the purchaser to enter into the contract by intentionally displaying samples of finer quality than the grade of the goods delivered. However, a buyer is not expected to travel *great distances* to inspect the goods.

For illustration, in a late case it was shown that a seller displayed samples to a prospective buyer. The purchaser was 100 miles distant from the seller's plant and did not inspect the bulk. He ordered a large quantity of the material. Later the buyer discovered that the delivered goods did not equal the samples and he refused to pay the bill. The seller filed suit contending that the purchaser was negligent in failing to inspect

the material in the bulk. However, the court held the seller liable, saying:

"In view of the warranty implied in sales by sample, and of the fact that sales are generally made by sample because of the difficulty or impracticability of inspecting the bulk, and frequently where the bulk is at a distance from the purchaser, *we think that such sales contemplate that the purchaser shall have the right to inspect the goods after delivery*, and to reject it or demand a diminution of the price, if the bulk of the merchandise does not agree with the sample, though he must act with reasonable promptness."

In this case the court held the buyer's failure to inspect the merchandise, when it was loaded on the cars, was justifiable because it was loaded 100 miles from the buyer's location.

FRAUD

Also, it is important to know that in all cases where the seller attempts to avoid liability because the buyer failed to inspect the subject of the sale, the buyer is entitled to a verdict against the seller if he can prove that the seller practiced fraud by the act of displaying good samples with intentions of shipping an inferior product. This is true irrespective of whether the merchandise is located conveniently for inspection by the purchaser. However, since it is very difficult for a purchaser to prove that a seller deliberately practiced fraud, the prospective buyer should inspect the bulk instead of relying upon examination of the samples.

The same rule is applicable where the buyer relies on a seller's verbal or written description of the quality of the goods offered for sale. In other words, if the buyer neglects to inspect the material which is convenient for his inspection, and later complains that the quality is inferior to his expectations, he cannot obtain protection of a court unless he proves that the seller defrauded him.

Standards' New Sponsor

By WALDON FAWCETT

JUST as purchasing executives were forming the habit of looking to Washington for authoritative commercial standards and master specifications, there has come an upset to the established order of things. For purposes of economy, certain functions of the United States bureau of standards will be transferred to the American Standards association, a federation of 37 national technical societies, trade associations, etc. Uncle Sam will continue his moral support for standardization of the measuring sticks of purchasing. But he passes the actual management and execution to other hands.

The work of the bureau which is thus switched to private or semi-public auspices is that of the commercial standards group. In other words the research and reference work carried on by five units, namely: the division of trade standards, the division of specifications, the division of simplified practice, the building code and plumbing code sections of the building and housing division, and the safety code section.

As director of the standards bureau, Lyman J. Briggs has explained in a statement for THE EXECUTIVE PURCHASER, the commercial standardization work of the bureau of standards has been drastically curtailed under the economy program but has not been wholly discontinued. At the same time the effect of the shake-up must be to cause industrial buyers to turn to 29 West 39th street, New York, rather than to the Department of Commerce at Washington as the chief source of intelligence on the technical considerations of specification and purchase. It was feared, at one time, that it might be necessary to kill off the two bibles of standardization — *Commercial Standards Monthly* and *Standards Yearbook*, but there is, latterly, a prospect that publication will be continued under new auspices.

FINANCES

Even though the essentials of the standardization and specification work which the bureau of standards has developed during the past 12 years are to be preserved under



A partial view of the Informashow sponsored by the Purchasing Agents Association of New York, 1932.

the new management, the future is not wholly assured. The American Standards association is a federation which depends for financial support on the voluntary membership fees and dues of associations and companies in industry. If the transferred standardization program and master specification writing is to continue in anything like its old stride it seems essential that means be found to substantially increase the income of the association.

Lest the impression be allowed that Uncle Sam is turning over one of his most important responsibilities to untrained hands, it should be pointed out that the American Standards association, which was organized in 1918 by five major engineering societies, has already made a creditable beginning in the field in which it is henceforth to reign supreme. Up to the present time, this cooperative agency (with the active backing of seven government departments) has approved 237 national industrial standards and has under way at the present time projects for 135 other standards. The work already furthered represents team play on the part of nearly 3,000 technical experts representing more than 500 trade associations, engineering and scientific societies.

By way of indicating how, in somewhat lesser degree, the American Standards association has been carrying on missionary work paralleling in many respects that of the federal government, let us enumerate the outstanding achievements to date. Projects include the standardization of plumbing equipment, screw threads, ball and roller bearings, small tools and machine tool elements, gears, bolt, nut and rivet proportions, coal-mine tracks and signals, etc. In addition there have been important contributions to uniformity of specifications through the National Electrical code, specifications for insulated wires and cable, specifications and methods of test for safety glass, etc. And, finally, the educational

drive for the acceptance of approved scientific and engineering symbols and abbreviations.

CONSOLIDATION

Many purchasing agents have felt, for some time past, that, quite aside from the pinch of government economy, there might advantageously be a consolidation of the national bureau's standardization annex and its counterpart maintained by the Standards association. In theory, there is much to be said in behalf of a concentrated, strong, well-knit standardization agency and a single system of national standards. No dodging the fact, either, that there has been, in industrial purchasing circles, a feeling that it would be beneficial in certain respects if industry could carry on its own standardization work through its own cooperative organization.

On the other hand, there is no denying the fact that the dominance of the bureau of standards has supplied an authoritative note which has had its effect on the general public, in greater degree, perhaps, than upon specialists in purchasing. In other words the prestige of the government has not been without its effect upon laymen who have not heard the call for "less government in business" and who have accepted its standards and specifications on the presumption of disinterested impartiality. To match this, the American Standards association will stress government participation in the reorganized program.

It is no small stake that the purchasing fraternity will have in the simplification-standardization program, whatever the auspices, so long as the work continues along the lines followed during the past 12 years. By the estimates of industrial leaders there have resulted, to date, savings amounting to hundreds of millions of dollars and ranging, in particular lines, from \$1,000,000 for the paving brick industry to \$200,000,000 for the lumber industry.

The net result of the adventure in systematic uniformity has been a reduction of inventories and stocks, coupled with quicker deliveries and more prompt servicing when interchangeable parts are involved. The new system has likewise made it possible to carry, at distributing points, more complete lines of equipment and supplies with a lower expenditure for storage space and warehousing.

Impulse to group the several activities which are being moved from their birthplace at the bureau of standards, disregards the more intimate contacts with purchasing interests. In that relationship the set-up requires analysis as separate entities. It is entirely correct to say that all of the standardization work in which the bureau has pioneered during the past dozen years has, as its ultimate purpose, the making of exact knowledge the basis of buyers' choice and the clarification of understandings between maker, seller, buyer and user. At the same time, the several phases of the work have separate slants.

To begin with, take the leveling of the inequalities of specification—an undertaking that is of obvious significance for all executives responsible for purchases.

HISTORY

Regulation of specifications under government auspices dates from May, 1923, when, in response to numerous requests from state agencies, a conference of official representatives of state governors assembled at Washington. The object was formulation of standards, master specifications and approved methods of test for purchases. At the conference it was decided to review, by concerted action, the specifications in use throughout the country and to issue a handbook or encyclopedia covering the entire field of standards, specifications, simplifications and tests.

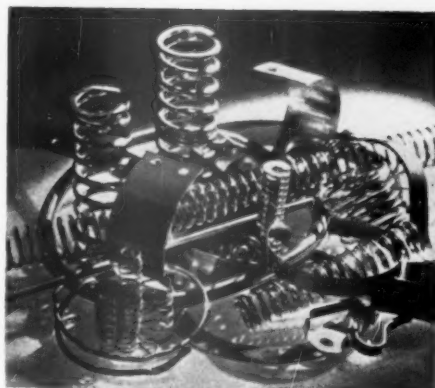
In the beginning, the intention was to supply accurate technical gauges for public purchases—that

is, for tax-supported purchasing agencies. But it was apparent that any information obtained for public purchasing agencies must be useful, in proportion, to all private interests engaged in similar outfitting.

As the first step in the attack upon confusion in specification there was organized an advisory board composed of official representatives of 14 national organizations interested in the preparation, unification and utilization of commodity specifications. This board, in turn, recommended that the published results of the interchanges be broken into two distinct parts, a "Directory of Specifications," and an "Encyclopedia of Specifications." By the formula then evolved the directory was to consist of an index of existing specifications, explanatory matter being held to a minimum. The encyclopedia was to contain, instead of mere titles, the actual specifications or abstracts of same.

The first issue of the National Directory of Commodity Specifications appeared in 1925. After going through four editions it was revised in 1932. Taking up specifications, one by one, the directory lists the prescription, or method of test, by title, designating number, and sponsoring organization. All commodities regularly produced in the United States are covered and the purchasing agent, consulting this key list, is enabled to determine at a glance what bill-of-requirements has been severally, jointly or cooperatively fashioned for each staple or specialty and who stands behind each set of exactness. Nor is the purchasing agent left to go it blind in his selection, from the big list, of the specifications most likely to prove suited to his particular needs. In the roster each specification is briefly analyzed or summarized as to technical characteristics, scope and special applications, affording a clue that is usually sufficient for the selective purposes of the trained purchasing agent.

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When the government decided to unscramble the specification-simplification operations, three volumes of the Encyclopedia of Specifications had been issued. These covered, respectively, Standards and Specifications in the Wood-Using Industries, Standards and Specifications for Nonmetallic Minerals and Their Products and Standards and Specifications for Metals and Metal Products. These volumes carry, with no duplications, the actual text of all standards and specifications in the industries to which they are devoted.

FIRST CODE

As far back as 1925 there grew out of the specifications program what was eventually to emerge as the most important plan for quality-guarantee yet introduced anywhere. In effect, the plan was to maintain (with appropriate periodic revisions) an official list of manufacturers desirous of supply-

Continued on page 35

OLDS NAMES P. A.

C. L. McCuen, general manager of Olds Motor Works, Lansing, Mich., has announced the appointment of A. E. Goosen as purchasing agent and K. C. Plasterer as chief inspector.

"The filling of these two important positions completes the expansion of the Oldsmobile organization," it was stated by Mr. McCuen.

Mr. Goosen has been associated with the Olds Motor Works in the purchasing department since 1922. At that time he came to Oldsmobile from the Monroe Automobile Co. at Indianapolis. Previous to his connection with that organization he had been with the Chevrolet Motor Company. Mr. Goosen served as a buyer in the purchasing department of Olds Motor Works until 1931 when he was appointed assistant to the purchasing agent, a position which he has held until his present appointment.

Coal Prices Stabilized

THERE seems to be no reason why the coal code need bring about a very marked rise in the price which the domestic consumer pays for bituminous coal this winter, according to a survey made public today by the Consumers Advisory board.

"About a half of the retail price of soft coal goes to the retail dealer, while less than a third goes to the railroad and of the rest probably seldom more than 20 per cent goes to the mine operator," the board's analysts found. "This means that even if mine price of coal should double, the retail price need not rise more than 20 per cent to cover the greater mine charges.

"The chief item in mining costs is wages. The coal code does not change the minimum union wage scales of miners in Illinois, Indiana and the Rocky Mountain coal regions. It raises the lower wage rates of competitive fields and of non-union mines so that their rates will not give them so great a competitive advantage.

NON-INVASION

"This means that Illinois, Indiana and the Far West should be able to supply coal as cheaply as they ever could, and that the rest of the country is forbidden to invade their markets by means of low wages. Legitimate price increases in the high wage area will be limited to those required to avoid further operating losses such as have characterized coal mines in the recent past.

"Mines in the high wage area will get more business than they did when they had to fight low-wage competition. If this happens, the more regular operation of these mines will go far to restore their profits.

"There seems to be no reason to expect much increase in the price of coal because of freight charges or retail costs. Freight rates have actually fallen 6 cents a ton. Re-

tail prices, which declined on the average \$1.68 a ton from 1929 to May of this year, had recovered 92 cents of their loss by September. This rise exceeded the rise in price the coal dealers have to pay at wholesale by 37 cents. It is doubtful if they are losing money now when the reduction of their costs of doing business since 1929 is considered. But in any case a further 35 cents to them would give them as great a margin as in 1929. Studies of retail coal margins at various times in the past have shown that considerable number of retail dealers have made profits from gross margins well below the average gross margin of \$4.10 which prevailed in September of this year.

PRICES

"Any revival of industrial coal consumption which may take place should also protect domestic consumers against higher prices. The decline of industrial buying of screenings has led to very low

prices upon such coal and so accounted for much of the loss in the industry. With the revival of industrial operations, greater sales of screenings at higher prices should do much to restore the industry's prosperity without cost to the domestic consumer. The price increase, like the price decline, should come chiefly upon industrial coal. If this does not happen alert consumers will be able to protect themselves by readjustment of their heating plants to use smaller sizes.

"One advantage of the coal code to the consumer is that misrepresenting the analysis of coal is made a violation of the code. If consumers will insist upon seeing the dealer's mine analysis—which gives the number of heat units and the amount of water and ash in each ton—before they buy they can choose their coal intelligently according to its heating value. At present the relative prices of different kinds of coal do not accurately reflect their relative values as fuel."

Pulse of Business

Continued from page 14

plan doesn't soon result in higher domestic prices, some other plan will be adopted, as yet undetermined. Under the Thomas amendment several possibilities yet remain, but the uncertainties of the next step are very disconcerting to business and to the long-term capital market which requires a sound money base before long-term securities can be issued.

• • •

SETTLE MORE STRIKES

Sen. Robert F. Wagner announces that the National Labor board had received word from the Detroit regional board of further settlements of the tool and die makers strike in the Detroit area.

Settlements were reached with the Packard Motor Co., the Eureka Vacuum Cleaner Co., and with five jobbing shops.

This brings the total of Tool and Die makers settlements to 58, including the strikes at the plants of the Hudson Motor Co. and Fisher Body Co., arranged by the regional board in the past few days.

In all cases the agreements provided for immediate return of the men to work. In the case of the Fisher Body Co. strike the men returned to work subject to further negotiations for complete settlement.

The editors of The Executive Purchaser solicit letters from readers giving their opinions of the magazine. With the help of these comments we will be able continually to improve the general nature of the publication.

NEW SPONSOR

Continued from page 33

ing commodities under contracts based on the official specifications. The participating manufacturers bound themselves to supply to purchasers, upon request, certificates guaranteeing the conformity of their goods to the specifications prescribed. The whole scheme was essentially a federal subsidiary.

Plotted originally for the use of federal purchasing executives it was not long before industrial buyers and others took advantage of the opportunity for "insurance" in buying. And private industry took steps to line up with the governmental specification-builders. At this writing the certification plan is in force on 404 Federal specifications and 38 sympathetic commercial standards formulated by interested industries. Thus there are, in force, 442 listings of willing-to-certify sources of supply and these guarantors have received, from a grand total of 8,762 separate firms, an aggregate of 18,610 requests for pledges of loyalty to specifications.

Out of this unique system has come the quality guaranty-labeling device with which many of our readers doubtless are already familiar. The labels, which visualize for purchasers and users the quality of commodities, are so phrased as to definitely identify both the specification followed in production and the manufacturing firm or trade association responsible for the guarantee.

It may be added that the certification by label is being employed for wares produced in accordance with specifications which are nationally recognized but which are not the literal specifications of the Federal Government.

COMPANION MOVE

Moving day takes from under the federal roof, along with the division of specifications, the divi-

Continued on next page



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ASSOCIATIONS

Continued from page 10

Helen Jacobs, conqueror of Helen Wills Moody, long tennis queen of the known world, was guest of honor at a joint dinner of the Purchasing Agents of Northern California and the San Francisco Advertising club in the Palace hotel, San Francisco.

• • •

F. C. Woodroffe, Montreal, has been elected chairman of the Canadian Council of the Purchasing Agents association. Directors include W. G. Henderson and C. G. Jones, Montreal; A. B. House and Maj. J. S. Bell, Toronto, and A. S. Coombs and B. H. Yardley, Hamilton, Ont.

• • •

A sound film, "Mazda Preferred," featured the meeting Nov. 13 of the Tri-City Association of Purchasing Agents at the Ft. Armstrong hotel, Rock Island, Ill.

• • •

Annual fall golf tournament of the Purchasing Agents of Houston, Tex., brought out about 150 members at the River Oaks Country club.

GETS P. A. POST

J. S. Causey, associated for the past five years with the Jefferson Standard Life Insurance Co., Greensboro, N. C., has been named purchasing agent of the firm to succeed J. M. Bryan, recently elected secretary. Mr. Causey's appointment was effective as of Nov. 1.

• • •

CATLIN RETIRES

W. M. Catlin, purchasing agent of the Atchison, Topeka & Santa Fe railroad, with offices in Los Angeles, retired Oct. 31 after 43 years as head of the company's purchasing department. He was guest of honor at a banquet at the Ambassador hotel, Los Angeles, given by his associates in tribute to his long service with the Santa Fe.

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Continued from page 35

sion of trade standards. This also may be expected to have practical reactions for the entire personnel of purchasing. The outstanding purpose of the commercial standards set-up is to facilitate, for purchasing executives, the specification method of buying. And, more to the point, to enable this method of buying to be followed without the bother and expense of constant fresh verifications by test. The main means to this end is found in the cooperative establishment of definite grades and qualities on given commodities which stand as pace-setting trade standards or commercial standards. By segregation of work and concentration on pivotal phases it is possible to tune the trade standardization work more closely to the needs of any particular industry.

Promulgation of trade standards, as fathered at the bureau of standards, grew out of simplified practice, yet the two activities are sharply differentiated and will doubtless tend to widen the cleavage under the new auspices. Simplified practice consists principally in the avoidance of waste and the reduction of inventories by the elimination of odd sizes, unnecessary varieties, types and dimensions. It affects the purchasing executive coming and going, so to speak, in that it contacts him not only in his purchases of equipment, but likewise in his role as a chief of commissary for the provision of all the paraphernalia needed for the apportionment of the output of his own plant.

In contrast to this elimination process which we have come to know as simplification, we have, in the

trade standards, a schedule of specific limitations for commodities below which the grade, quality, compositions or dimensions must not fall. The institution of trade standards will perform its most valuable service for the cause of efficiency in professional purchasing if it provides the means of holding the ideals of commodity quality firmly and dependably against all retrograding and vascillating influences.

REGULATION

Admittedly, in the last analysis, the full realization of the purchasers' dream of trade standardization must depend to a great extent upon sellers' and suppliers' willingness and ability voluntarily to establish quality controls and checking patterns. The job of the division of trade standards has been to supply recipes for the standard-makers and to say figuratively "More power to you." It is essential that there be a neutral or strictly impartial agency to act as go-between for the various parties at interest in the development of any given set of trade standards. Similarly, an organization is needed to solicit and record the extent of adoption and adherence to each newly-promulgated standard. The division of trade standards has had this liaison job and has demonstrated how much a distinguished and impressive outside agency can do to line up all participants in a program.

ADVERTISERS' INDEX

	Page
EDIPHONE, THOS. A. EDISON, INC.....	16
Orange, N. J. Pioneer manufacturer of business office equipment and accessories.	
ESLEECK MANUFACTURING CO.....	26
Turners Falls, Mass. Produces a wide variety of onion skin papers for thin letterheads, advertising literature, etc.	
GRASSELLI CHEMICAL CO.....	4
Cleveland, Ohio. Manufactures chemicals of all kinds for all industries.	
HAMMERMILL PAPER CO.....	24-25
Erie, Pa. Business and special papers, bonds, mimeograph, ledger, and others.	
HOWARD PAPER CO.....	36
Urbana, O. Specializes in business papers, colored, plain and watermarked.	
L. & C. MAYERS CO.....	21
New York. Manufacturer and distributor of jewelry, silverware, leather goods and art wares.	
REMINGTON RAND, INC.....	2
Buffalo, N. Y. Large manufacturer of office equipment of all kinds.	
REPUBLIC STEEL CORP.....	back cover
Youngstown, O. Steelmaker producing iron, steel and steel products of every description.	
RYERSON, JOS. T. & SON, INC.....	2nd cover
Chicago, Ill. Steel warehouse with plants in all principal cities.	
SEYMOUR MFG. CO.....	33
Seymour, Conn. Manufacturer of extensive line of metal specialties.	
STERLING GRINDING WHEEL CO.....	3rd cover
Tiffin, O. Offices at Tiffin, Chicago and Detroit. Manufactures large line of artificial abrasive wheels.	
VALLEY PAPER CO.....	35
Holyoke, Mass. Produces rag content, bond, ledger, onion skin and other record papers.	

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